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Pensions & Investment Age

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Tighter funding rules proposed

By Richard Gillespie

WASHINGTON — Pension rules proposed by the Reagan administration last Thursday would toughen funding requirements for companies with weak plans and accelerate pension contributions to all defined benefit plans.

Pension contributions would be due 2½ months after the end of the plan year, six months earlier than under current law.

The package also contains a proposed clarification of standards under which minimum funding waivers would be given. This would include a new definition of "business hardship" that could meet strong opposition from Rust Belt companies.

Another provision would enable corporations with overfunded pension plans to make tax-free rollovers into post-retirement health care plans to pay for the health costs of current retirees.

The bill also generally would limit to 10% the amount of qualified employer securities that can be placed in a floor-offset plan.

In addition, the administration's new competitiveness package — which includes the pension proposals — would make it easier for companies to withdraw surplus assets from their overfunded pension plans.

A companion measure intended to boost the Pension Benefit Guaranty Corp.'s finances by introducing a variable-rate pension plan premium will be part of the administration's upcoming budget bill.

Generally, the pension reforms cover long-standing issues raised by the overfunding and underfunding of pension plans, as well as the unfolding financial crisis at the PBGC.

"The primary objective is to make pension plans more secure. While the current law has worked well, there have been some disturbing trends," said Dennis Kass, assistant secretary of labor.

Continued on page 54

U.S. to help some terminated plans

By Barry B. Burr

WASHINGTON — Federal procurement agencies are offering to subsidize the burden of underfunded pension plans that contractors terminate and dump on the Pension Benefit Guaranty Corp.

The offer, contained in a proposed addition to the Federal Acquisitions Regulations, reaffirms a little-known, dormant policy that is opposed by some government advisers.

The reaffirmation is a reciprocal agreement to efforts by the Defense Department to secure a piece of the reversion contractors get when they terminate overfunded pension plans.

The Defense Department, the National Aeronautics and Space Administration and the General Services Administration jointly proposed adoption of the rule, which includes handling overfunded and underfunded plan terminations by government contractors.

The proposal notes the government is seeking redress for overpaying pension expenses. Reversion "proceeds represent an adjustment of prior periods' pension costs," the proposal states. "If the actual cost had been known, the prices the government previously paid would have been reduced commensurately."

The proposed rule affects all federal procurement agencies. Comments will be accepted through April 10.

Acting without formal regulations, the Defense Department already has negotiated shares in reversions from terminated plans at FMC Corp., Chicago, and Rockwell International Corp., Pittsburgh, and has received credits for contributions in full-funded plans of United Technologies Corp., Hartford, Conn., and Lockheed Corp., Los Angeles.

Charles Brown, an auditor in the Defense Department's controller's office who helped write the proposed rule, said he left in the indemnification policy. He said the policy has been in existence for about 10 years, although he knows of no instance in which a contractor asked a procurement agency to subsidize a deficit of a terminated plan.

He calls it a reciprocal arrangement. "If we are going to be in there with our hand out when they have a (termination) profit . . . we should be man enough about it . . . and help out" to fund a termination deficit.

But he acknowledged some advisers to the 10-member Defense Acquisition Regulatory Council that recommended the rule proposal oppose keeping the indemnification.

"There is strong feeling we shouldn't step in and make payments for underfunding," he said. "There are people who feel contractors will start gaming up . . . and start coming to us with big bills."

The version in the Federal Register erroneously refers to underfunded plans. It states: "The new coverage provides rules for determining the government's equitable share of prior periods' pension costs which are recaptured by contractors when an *underfunded* pension plan is terminated."

"That should have been *over-*" funded, confirmed Frank Van Lierde, procurement analyst for the GSA. After checking, he noted the copy was sent to the printer incorrectly.

The proposal continues: "The same rules are also applicable when an underfunded plan is terminated and indemnifications payment must be made to the Pension Benefit Guaranty Corporation."

Mr. Van Lierde said that seems to mean the government would assume some liability for underfunded plans turned over to the PBGC. "If we are going to share in an overfunded plan . . . we felt that the government ought to share in indemnification payments to the PBGC," he said.

Other officials were not available to confirm his interpretation.

The proposed termination rule would apply to almost all contracts. Among the major excep-

Continued on page 51

Inside:

CASH MANAGEMENT: Workers at CIGNA Corp.'s treasury operations in Bloomfield, Conn., use controlled disbursement for the majority of CIGNA's payments — a practice other insurers may adopt — page 39.

Market likely to surpass 2,500

Experts predict bull could charge for 3 more years

By Fred Williams and Brian Lehrer

The bull market will exceed 2,500 before peaking within the next three years and then retreat by 20% or more, more than half of a group of market experts surveyed by *Pensions & Investment Age* agreed.

But a significant minority expects it to peak this year at 2,500 or less.

Estimates for gains in the benchmark Standard & Poor's 500 stock index vary widely, but should top 350 to 400 by 1990, according to these investment specialists.

• Michael Metz, portfolio strategist with Oppenheimer & Co. Inc.'s research department, New York, expects a first-quarter gain of 3% to 5% before a market decline.

• Steven Leuthold, president of the Leuthold Group, Minneapolis, expects the Dow to go to about 2,400 in the next three to four months.

• Peter Anderson, president and chief investment officer at IDS Growth Spectrum Advisors Inc., Minneapolis, said officially his firm is projecting a 25% advance in the S&P for the year: "Unofficially . . . I wouldn't be surprised to see 30% to 35% for the year . . . I expect the Dow to be at 2,500 and the S&P to be 310 or higher."

• Kenneth Grossman, partner in Hahn Holland & Grossman, Chicago, expects the Dow to reach 3,000 to 3,500 in the next several years.

More immediately, he expects the Dow to reach 2,300 and the S&P 500 to reach 290 to 300 by the "second or third quarter" before a correction.

• Although he is cautious, Chuck Clough, director of investment strategy at Cowen Asset Management, Boston, expects the Dow could reach 2,300 by April.

• Robert Farrell, chief market analyst for Merrill Lynch Capital Markets, New York, said he thinks the Dow will hit 2,400 or 2,500 in the first half of the year.

• David Bostian Jr., president of Bostian Research Associates Inc., New York, believes "the Dow could reach 3,000 by 1988-'89."

• James R. Solloway, director of economic research at Argus Research Corp., New York, looks for the Dow to peak in the 3,000 to 3,500 range in 1988-'89.

• Thom Brown, market strategist for Butcher & Singer Inc., Pittsburgh, said the Dow should balloon above 3,000 in 1988-'89.

• Martin Sass, president and chief investment officer at M.D. Sass Investment Services, New

Continued on page 49

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Asset reversions fall 27% as plan terminations slow

By Chuck Paustian

WASHINGTON — Surplus assets recovered by companies terminating overfunded pension plans fell during 1986 to their lowest level in two years, statistics from the Pension Benefit Guaranty Corp. show.

Expected asset reversions for 1986 totaled $4.06 billion, a decrease of 27% from $5.59 billion the previous year. Companies recovered $3.61 billion in surplus pension assets from 1984 terminations.

The slowdown was greatest during the fourth quarter of 1986, when the amount of surplus assets reverting to corporations fell 83% from the same period a year earlier.

For the quarter ended Dec. 31, expected reversions totaled $379.3 million from 61 plans with total assets of $1.12 billion, compared with the previous year's fourth quarter expected reversions of $2.23 billion from 252 plans with total assets of $5.14 billion.

Since May 1980, completed and pending terminations involve recaptures of $15.66 billion from pension plans with total assets of $34.52 billion.

Filings in the most recent PBGC data, as of Jan. 29, include:

- Enron Corp. Inc., Houston, expected to recapture $232.2 million from a plan with assets of $254.1 million (*Pensions & Investment Age*, Oct. 27).
- Ashland Oil Inc., Russell, Ky., expected to recover $195 million from two plans with total assets of $460 million (*P&I Age*, June 9).
- Foster Wheeler Corp., Livingston, N.J., with an expected reversion of $25.2 million from a plan with assets of $70.1 million.
- Ozark Air Lines Inc., St. Louis, expected to recover $21.1 million from a plan with assets of $132.9 million.

Pension experts cited several reasons for the decline in reversion activity, including a drop in long-term interest rates, new tax law and uncertainty about proposals in Congress regarding access to surplus pension assets.

Long-term interest rates, upon which actuaries base their discount rate for calculating the present value of pension obligations, have fallen steadily in the past couple of years.

Declining interest rates mean a higher present value of pension liabilities and less surplus assets. A one percentage point drop in rates, in general, means a 15% to 20% increase in the present value of pension obligations.

As of Jan. 1, the Moody's Aaa rate — considered the most representative — had fallen to 8.53%, from 12.6% as of Jan. 1, 1984.

"That's the primary reason" for the decline in reversion activity, said Frank McArdle, education director at the Employee Benefit Research Institute, Washington.

"The secondary (reason) is that now there is a 10% excise tax on the reversion," he said.

Under the provisions of the Tax Reform Act of 1986, recovered surplus assets are subject to a 10% excise tax on top of the normal corporate tax rate. This excise tax applies to terminations filed after Dec. 31, 1985.

"I think that's reasonably significant for companies that were on the border line of whether (terminating) is worthwhile or not," said Rowland M. Davis, vice president of Towers, Perrin, Forster & Crosby, Chicago.

The new tax law played a slightly different role in the decision by executives of Blue Cross of California, Los Angeles, to terminate a $90 million pension plan and recapture $32 million.

Ann Monroe, vice president of human resources at Blue Cross, said under the new tax law, the company would no longer be tax exempt as a not-for-profit organization. "But, because (the termination) occurred before 1987, when our tax status changed, we didn't have to pay the tax." The reversion would be used for general corporate purposes.

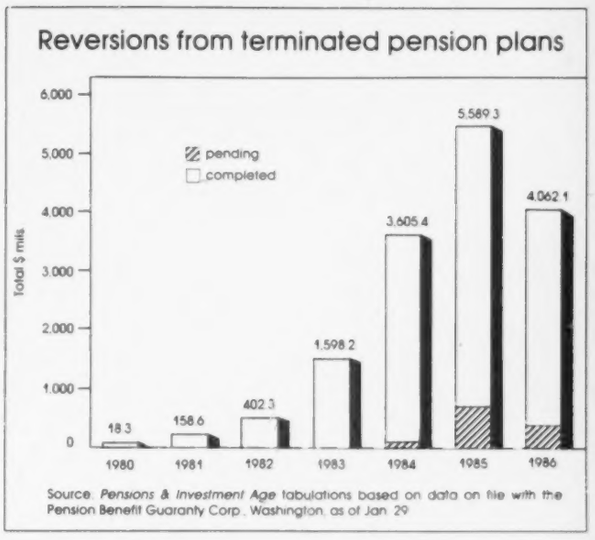
The outcome of various proposals being bandied about Washington could have a direct effect on the pace of reversion activity.

"Anyone looking out into the future (during the past two years) would have thought it'd be more difficult to gain access to the surplus and they'd be more careful to not accumulate a surplus," said EBRI's Mr. McArdle.

He was referring to a bill recently introduced in the U.S. House of Representatives that would prohibit companies from terminating pension plans and recouping surplus assets (*P&I Age*, Feb. 9).

Another proposal that would affect reversion activity is contained in a Reagan administration bill carrying a number of reforms to the Employee Retirement Income Security Act (*P&I Age*, Jan. 26).

Under the terms of the proposal, being discussed at the departments of Labor and Treasury, employers could withdraw pension assets in excess of 120% of accumulated benefits. ■



Source: *Pensions & Investment Age* tabulations based on data on file with the Pension Benefit Guaranty Corp., Washington, as of Jan. 29

Codlin quits Wisconsin for Illinois

By Trudy Ring

Two pension officials have resigned, one to join another fund and the other to enter another business.

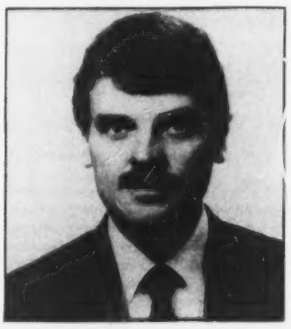
Kenneth E. Codlin is resigning as executive director of the $13.5 billion State of Wisconsin Investment Board, Madison, to become investment officer for the $2.4 billion Illinois State Universities' Retirement System.

He replaces Charles M. Hundley, who left in August to become a vice president of Northern Trust Co., Chicago.

Kevin Burke has resigned as manager of pensions at PepsiCo Inc., Purchase, N.Y. His plans are unknown.

PepsiCo has about $530 million in pension assets. No replacement has been selected for him yet.

Mr. Codlin's last day at the Wisconsin fund will be March 6; he expects to join the Illinois universities system March 9, he said.


Kenneth Codlin is taking over the reins at the Illinois State Universities Retirement System.

"They made me a very attractive offer — it looked like a good opportunity and I'm looking forward to joining them," Mr. Codlin said of the Illinois fund.

One aspect of his new job he found attractive is that the Illinois fund's board of directors has authority to set the fund's operating budget, while in Wisconsin, that was a matter for the Legislature to decide, he said.

The Wisconsin Legislature

Continued on page 55

Pension expense controlled

Volatility cut, income statement boosted under FASB

By Brad Rudin and Chuck Paustian

Corporate executives completing their second year of compliance with the Financial Accounting Standards Board's rules for pension accounting were able to minimize the volatility of pension expense that some had feared would result from the new rules.

In addition, dozens of other companies implementing FASB Statements 87 and 88 for the first time were able to boost 1986 income statements by millions of dollars.

Executives at the companies that have used FASB 87 for the past two years, and other pension experts, said alternatives for controlling pension expense were available through the statement itself and through external review of the pension plan.

One means contained in FASB 87 was amortization of transition amounts, which could be used to offset increases in liabilities produced by declining interest rate assumptions.

A lower interest rate assumption makes it more expensive for a sponsoring company to settle pension obligations with an annuity purchase.

The plan's transition amount is the surplus or deficit at the time of transition to the new accounting rules.

The transition amount, an asset for companies adopting early, must be amortized over the average remaining service period of employees or 15 years if the average remaining service period is less than 15 years.

Upon adoption of FASB 87 on Nov. 1, 1985, Hewlett-Packard Co., Palo Alto, Calif., had an unrecognized net asset of $128 million, to be amortized during the subsequent 15 years. For 1986, the company recognized a credit of $11 million toward pension expense.

For this past year, Hewlett-Packard recognized $24 million in pension income from its defined benefit plan, reducing the company's total pension expense for 1986 to $56 million from 1985's $86 million.

Total pension expense includes the company's profit-sharing plan, which is its primary retirement vehicle, a supplemental defined benefit plan and foreign pension plans.

"Rather than recognizing costs over a relatively short period, you're required to amortize over a relatively long period (the average service life of participants), and that has a tendency to smooth the costs," said Joseph M. Zaelit, treasury manager in charge of compensation and benefits at Hewlett-Packard.

Exxon Corp. recorded $93 million in negative pension expense in 1985 when it first adopted the rule, said Thomas Dodson, the

Continued on page 51

The *P&I Age* monthly indexes track the changes in the Standard & Poor's 500 stock index, the Frank Russell Co.'s Russell 3000 stock index, the Ryan Index of fixed-income securities and the Shearson Lehman Government/Corporate bond index.

P&I Age January indexes

	Latest mo.	Year to-date	Trailing 12 mos.
S&P 500	13.48	13.48	33.94
Russell 3000	12.8	12.6	30.2
Ryan Index	.89	.89	17.68
Shearson Lehman Gov't./Corp.	1.37	1.37	16.49

Source: Rogers, Casey and Barksdale Inc.

Highlights

CASH MANAGEMENT
Electronic statements gain 39
Cash accounts 39

CORPORATE FINANCE
Underwriting falls in January 43

PIPER
Equity funds win using discipline 15
Delaware Trust leads bond pools 15

REAL ESTATE
Investors renovating mall 35
Dutch Shell buying again 35
Slump continues in office markets 35

GENERAL NEWS
Executives rethink Japanese investments 4
Boesky impact on N.Y.C. funds studied 6
'Tactical' asset allocation boosts returns 8
Shareholder services scrutinized 12
Some investors reap huge gains in IPOs 13

DEPARTMENTS
Late news 54
Letters 10
Market beat 31
Money movers 46
Opinion 10
Washington notebook 42

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Opinion

Some GM investors are wimps

THE KNEE-JERK REACTION and wishy-washy actions by some General Motors Corp. shareholders threaten to tarnish the reputation of institutional investors as a serious and responsible force.

Although some investors contended the $742 million buy-out of H. Ross Perot carried an excessive price and was a waste of corporate assets, the manner in which they reacted to the buy-out reeks of wounded egos, rather than of concern over such lofty issues as corporate governance.

Look at the chain of events: Following the buy-out, the Council of Institutional Investors invites Roger B. Smith, GM's chairman, to meet with council members. Mr. Smith doesn't show up, and sends a team of GM executives in his stead. Council members are miffed over being stood up by Mr. Smith. One member of the council, the State of Wisconsin Investment Board, introduces a shareholders' resolution protesting the buy-out, and five of GM's other institutional shareholders become co-sponsors.

By then, Mr. Smith wises up. He agrees to attend meetings with institutional investors, particularly those co-sponsoring the resolution. The round of meetings begins, not surprisingly, with members of the Wisconsin board.

Following that first session, the board informs Mr. Smith the resolution might be withdrawn. Within days, other co-sponsors soften or withdraw their support of the protest resolution.

What divine revelations from Mr. Smith changed their minds? Listen to the explanation of Joe Perrone, chief investment officer of the Teacher Retirement System of Texas, the first co-sponsor to withdraw support for the resolution: "We heard their (GM's) position, which wasn't different from what we knew. We still disagree with them. What are we going to do about it? Not a helluva lot. We don't feel there is much else we can do."

What changed their minds? Apparently it was nothing more than Mr. Smith's willingness to do some hand-holding, which, in turn, helped heal some hurt feelings.

That these investors — once indignant and irate enough to launch a shareholders' resolution — quickly said "never mind" once their egos were massaged, leaves a bad taste in the mouths of many.

The events leading to the shareholders' resolution transpired because members of the Council of Institutional Investors apparently didn't believe Mr. Smith was taking them seriously. Their subsequent actions demonstrate Mr. Smith was right not to do so.

Does dynamic hedging meet needs?

THE AMOUNT OF ASSETS covered by portfolio insurance programs, also known as dynamic hedging programs, has climbed to more than $50 billion, according to some estimates.

Clearly, this is phenomenal growth for a product that was introduced in 1980 and which grew rather slowly for the first two years.

Portfolio insurance uses a sophisticated computer program to trigger sales of stock index futures to hedge pension fund portfolios against market declines. By giving up some of the upside potential of the portfolios, pension executives can protect the portfolios against losses in a down market, proponents claim.

Judging by its acceptance, the product fulfills a need. However, the question needs to be asked: Whose need?

Some pension executives, presumably those skeptical about the use of portfolio insurance, have begun to refer to it as "job insurance."

The implication is that portfolio insurance is being bought by some pension executives more to protect their own jobs than because it is the right thing for the pension fund and the sponsoring entity.

A pension executive clearly has less to fear from slightly underperforming the indexes in a bull market than outperforming the market in a bear market — but still seeing the fund lose 10% or 20% or more of its value.

The decision to buy a portfolio insurance program should be based on the long-term needs of the plan. It should fit within the investment strategy adopted for the plan.

If the plan and the sponsoring organization can afford to take a truly long-term investment approach — 15 or even 20 years — then portfolio insurance should be unnecessary.

In that time period, the market's long-term growth pattern should overcome any cyclical declines. And the market returns not sacrificed to the portfolio insurance program will enhance the well-being of the plan and its sponsor.

Only if the plan and its sponsor cannot accept short-term volatility does portfolio insurance make sense.

Where a plan has no need of insurance against such volatility, such as in a highly funded plan, dynamic hedging may be being bought as "job insurance."

That's the wrong reason for buying it.

Letters to the editor

Need right diagnosis

To the Editor: Most investors feel uneasy about the wild gyrations of the stock market and there is growing talk of seeking regulatory remedies.

Before remedies can be prescribed, a proper diagnosis is needed. It appears to us it is the extreme conflict of interests that need to be remedied.

The conflict of interests lies with the three key players: The executors of "portfolio insurance;" managers of index funds; and index-futures arbitrageurs. It arises when all three players really are one player wearing three hats, whose primary allegiance is to his pocketbook.

To begin with, "portfolio insurance" promises to protect pension portfolios by selling index futures against the portfolio with every 50-point or so decline in the Dow Jones industrial average. They are not concerned with the price at which they sell the futures, they simply dump them on the market.

But because some of the executors of the portfolio insurance are also index-futures arbitrageurs, the lower the prices they get in selling the futures for their portfolio insurance clients, the lower they can buy the futures for their own index-futures arbitrage.

And as managers of index funds they can sell stocks in the index without requiring an uptick for what are effectively short sales when executing the index-futures arbitrage.

So by using the portfolio insurance clients as a source of "cheap futures," and their index fund clients as a source of stocks that effectively can be sold short without an uptick, the three-hatted middlemen profit at the expense of both clients. The index fund investors obviously do not share in the arbitrage profits of the fund managers.

One of the flaws in the portfolio-insurance programs is that they are not executed by the portfolio managers but by third parties. If the portfolio manager were to try to protect his portfolio, he would not necessarily sell index futures, but rather stocks or futures, whichever were higher. Conceivably, he could buy futures if they were selling at a discount and sell stocks.

But a third party follows no such logical consideration. When the "insurance" executor wears "other hats," the conflicts of interests contribute to the seemingly inexplicable gyrations of the market which are really quite logical, viewed from the perspective of the three-hatted middlemen.

The remedies now become clearer.

David M. Levin
President
Computime Institutional
Services Inc.
New York

ASB cites indexing

To the Editor: The article on index funds in the Jan. 12 issue of *Pensions & Investment Age* lists a table of "top index fund managers." This table does not include the index assets managed by ASB Capital Management Inc.

Our firm manages $401 million in domestic equity indexed assets, most of which track the Standard & Poor's 500. The remainder of the assets track the S&P 500 modified to exclude companies that do business in or with South Africa (thus creating a "South Africa Free Index.") Based on your table, this would place ASB Capital Management 21st among top index fund managers, and 15th among domestic equity index fund managers.

ASB Capital Management is a District of Columbia, SEC-registered investment adviser offering a full complement of money management services to institutional clients, including corporations, associations, foundations, endowments and unions.

With $5.2 billion in assets under management, we are the largest money manager with headquarters in the Washington area.

We hope to continue this type of communication to avoid future omissions.

Terence W. Collins
President
ASB Capital Management
Washington

Pensions & Investment Age

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The statistical data are extracted from Pensions & Investment Performance Evaluation Report, a quarterly performance evaluation published by Pensions & Investment Age. PIPER details comparative performance data on equity and fixed-income funds at more than 200 banks and insurance companies. PIPER is compiled by Rogers, Casey & Barksdale Inc., Stamford, Conn.

Equity funds win using discipline

By Fred Williams

A disciplined approach emphasizing high-quality, large-capitalization, blue-chip stocks was the hallmark of the best-performing pooled equity funds in Pensions & Investments' Performance Evaluation Report for 1986.

The top PIPER equity fund for the year was Sun Banks, Orlando, Fla., which recorded a 32% return.

Sun Banks has been a perennial leader, finishing at the top of the list for the three- and five-year periods ended Dec. 31 with a compound annual return of 31.1% in each period, and fifth for the 10 years, with an annualized 19%. For the quarter it finished in the top 25%, with a return of 6.3%.

But Sun Banks' high-level performance was not reflected by the PIPER median funds, which lagged the Standard & Poor's 500 stock index for every period. For the year, the PIPER median fund returned 17.1% vs. the S&P's 18.7%.

For the three-, five- and 10-year periods, the median fund returned a compound annualized 15.9%, 18.2% and 13.3%, respectively, vs. the benchmark's 18.5%, 19.9% and 13.9%. For the quarter, the median fund returned 4.4% and the S&P, 5.6%.

The PIPER universe comprises 300 pooled equity funds of banks and insurance companies.

Remaining atop the performance list for the long term requires discipline and clear objectives, said Anthony Gray, executive vice president at Sun Bank.

"We spend a lot of time in relative valuation work. We try to find out what is cheap by looking at the relative (price-earnings) ratios in the past and present ... We like homogeneous industries; for example, food stocks. In the last three years we have been heavily overweighted in foods," said Mr. Gray.

The $220 million portfolio was heavily invested in large-cap stocks such as **General Electric Co.**, **Ralston Purina Co.**, **Merck & Co.** and **Dun & Bradstreet Corp.**, "companies which have done well in the past and with good five- and 10-year records that we expect to do well in the future.

"Our largest and most successful stocks were in the technology sector. We sold **IBM** in the summer and bought **Digital Equipment Corp.**, **Tandem Computers Inc.** and **Computer Associates**. That added 6% to our total return," he said.

For the year, Sun Banks was followed by Bank of Delaware's equity fund with a return of 29% and Barnett Banks Trust Co., Jacksonville, Fla., employee benefit equity fund with 27.9%.

Edgar Loring, vice president at Bank of Delaware, also credited large-cap issues for the success in 1986.

"By and large, most of the performance was in the first half of the year and it was centered around consumer stocks, blue chips and large capitalization, which made up two-thirds of the portfolio," he said.

"We follow a growth-stock orientation with above-average quality stocks, high market yields and then look at relative p/e basically. It's fairly simple, but it works," said Mr. Loring. Bank of Delaware's strategy also placed it in the top 25% for the fourth quarter, with a return of 6.3%.

Equity performance at Barnett Banks was focused primarily on the consumer sector, said John Allen, vice president and senior investment officer. In addition to its third-place finish for the year, Barnett ranked eighth for the three years with an annualized 22.8% and was in the top 20% for the five years, with an annualized 21.5%.

Stock selection in the $115 million Barnett equity fund is based on a quantitative bottom-up, value-oriented approach, he said.

Continued on page 25

PIPER tables in this issue

Equity returns, all funds 16
Bond returns, all funds 18
Top quartile equity funds 20
Top equity funds by size 22
Top quartile bond funds 23
Top bond funds by size 24

Delaware Trust leads bond pools

By Trudy Ring

A newcomer to Pensions & Investments' Performance Evaluation Report topped all bank and insurance company pooled fixed-income funds in 1986.

Delaware Trust Co., Wilmington, Del., which had not participated in the report before, had a 24.4% return on its employee benefit income fund in 1986. It also led all bond funds for the fourth quarter, with an 8% return, and placed among the top four funds in the three- and five-year periods covered by PIPER. The fund is too new for the 10-year period.

Among the others registering stellar performance for most periods of the survey were United Bank of Denver, First Interstate Bank of Denver and Life Insurance Co. of Virginia, Richmond. All are repeaters among top PIPER performers. The PIPER fixed-income universe comprises 284 funds.

Delaware Trust, the two Denver banks and Life of Virginia have divergent fixed-income investment strategies, although they all tended to be in the intermediate maturity range at the end of the year. This is a change from the past few quarters, when the top performers generally were in very long bonds. Many managers have shortened the maturities of their portfolios to shorten their interest rate exposure as rates have come down.

While these and some other bond funds achieved good performance, a majority of the PIPER participants underperformed market indexes. For calendar 1986, the median PIPER bond fund returned 14.2%, while the Shearson Lehman Government/Corporate bond index returned 15.6%. For the fourth quarter, the median fund and the index both returned 3.1%.

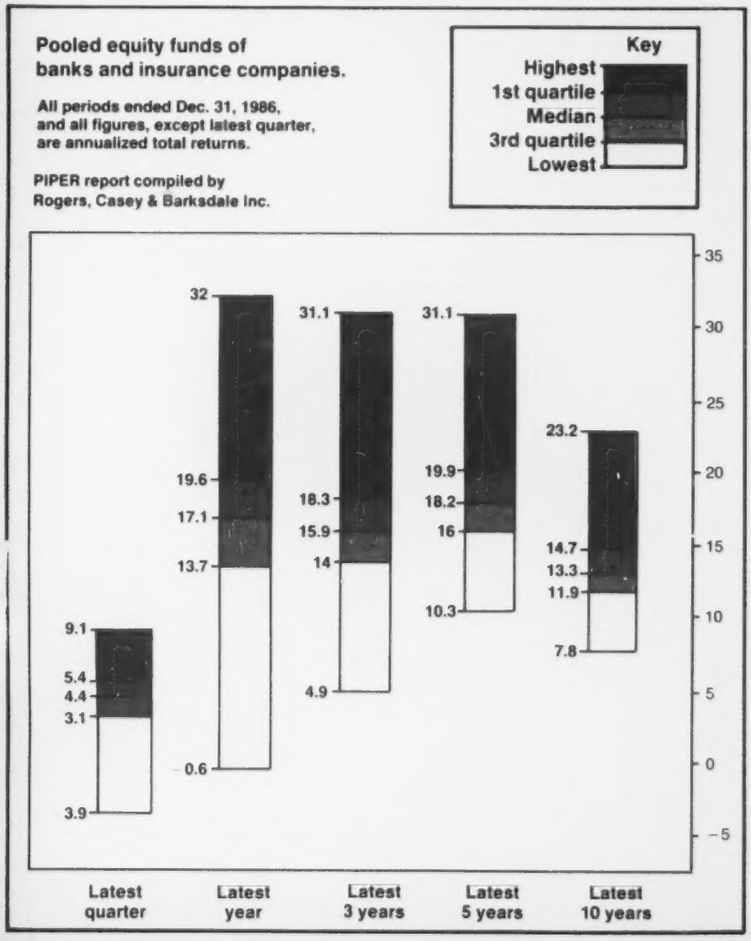
In the three years ended Dec. 31, the median bond fund had a compound annual return of 15.8%, while the index returned 17.3%. For the five-year period, the median fund's annualized return was 16.7% and the benchmark's, 17.9%. For the 10-year period, the median was 10% and the index, 10.4%.

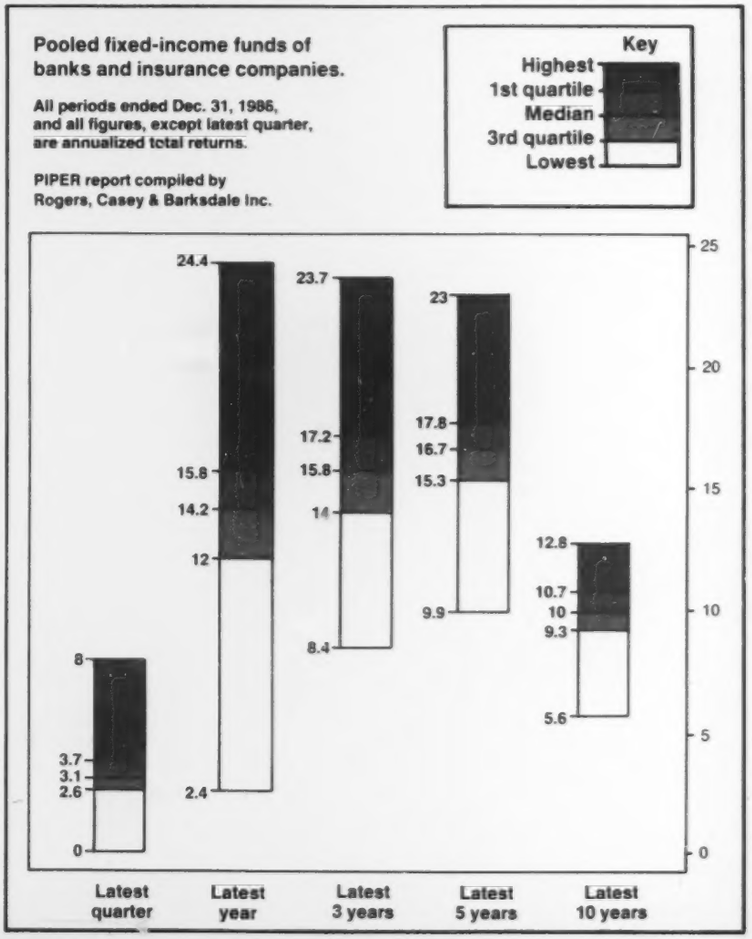
Delaware Trust managed superior performance in all periods in which its pooled bond fund existed. The fund was launched about seven years ago. It now has assets of $18.9 million.

Its compound annual return for the three years ended Dec. 31 was 21.9%, placing it third among all funds. For the five-year period, its annualized return was 21.6%, putting it fourth.

The fund stays in the middle of the bond market's maturity range and stays fully invested, said

Continued on page 26





Equity performance

cumulative periods ended 12/31/86

	No. of years 1	5	10	DCR
		%		
Aetna Life & Cas., Conn.	13.6	18.5	15.7	2
Alaska Pacific Trust	17.7	17.8	(1)	—
Allied Bank, Texas	20.1	18.0	12.6	7
American Fletcher, Ind.	12.2	18.4	11.8	8
American National, Minn.	17.9	13.5	10.3	10
American Natl. Bank, Ind.	17.7	18.3	12.4	7
American Natl. Bank (Growth), Ind.	23.9	18.9	12.4	7
American Natl. Bank, Tenn.	20.0	18.9	12.8	6
American Natl. (Active), Chicago	18.1	21.1	19.2	1
American Natl. (S&P 500), Chicago	18.5	19.9	13.7	5
American Security, D.C.	10.0	14.0	11.7	9
AmeriTrust, Ohio	16.3	20.1	13.6	5
AmSouth, Ala.	10.5	20.7	15.6	2
Associated Kellogg, Wis.	21.9	15.4	12.8	6
Associated Manitowoc, Wis.	21.6	19.2	11.7	8
BancTexas, Dallas	17.3	15.2	11.9	-8
Bank IV Wichita, Kan.	18.2	13.0	11.3	9
Bank of America, Calif.	18.3	(1)	(1)	—
Bank of California (EB Inc. & Gro.)	21.7	20.0	12.8	6
Bank of California (Income)	24.3	(1)	(1)	—
Bank of Delaware	29.0	19.6	14.3	4
Bank of New England, Mass.	22.0	(1)	(1)	—
Bank of New York	17.3	14.4	10.6	10
Bank of Oklahoma, Tulsa	16.9	16.3	13.7	4
Bank of the West, Calif.	24.0	21.4	(1)	—
Bank of Tokyo, N.Y.	20.4	19.4	15.0	3
Bank of Virginia	21.9	22.1	16.2	2
Bank One Trust, Columbus, Ohio	17.2	16.0	11.5	9
Bankers Trust, N.Y.	15.5	17.8	13.6	5
Bankers Trust (Index), N.Y.	18.3	20.2	(1)	—
Barnett Banks Trust Co., Fla.	27.9	21.5	(1)	—
Bessemer Trust, N.Y.	16.3	17.8	17.3	1
Beverly Bank, Ill.	12.4	12.0	11.9	8
Boatmen's FNB, K.C., Mo.	18.3	16.8	12.8	6
Boatmen's National, Mo.	14.5	13.8	10.4	10
Boston Safe Deposit, Mass.	17.9	19.4	12.3	7
Branch Bank & Trust, N.C.	11.8	17.2	(1)	—
Calcasieu Marine Natl., La.	17.1	(1)	(1)	—
California First Bank	14.9	16.8	11.0	9
Central Bank Denver, Colo.	3.2	11.7	8.6	10
Central Bank, Monroe, La.	18.2	(1)	(1)	—
Central Fidelity, Va.	18.1	19.0	13.8	4
Central Penn, Pa.	17.7	19.1	13.5	5
Chase Manhattan, N.Y.	16.4	18.3	13.2	6
Chemical Bank (No. 1), N.Y.	19.8	15.1	12.9	6
Chemical Bank (No. 2), N.Y.	14.6	(1)	(1)	—
Chicago Title & Trust, Ill.	14.7	17.9	14.3	4
CIGNA Corp., Conn.	15.1	16.2	14.7	3
Citicorp, N.Y.	19.5	19.0	14.1	4
Citizens Chillicothe, Mo.	19.2	15.0	18.9	1
Citizens Fidelity, Ky.	21.7	19.8	13.9	4
Citizens & Southern, Ga.	24.1	16.4	12.3	7
Citytrust, Conn.	19.9	20.4	14.7	3
CNA Insurance (Acct. A), Ill.	13.6	15.1	10.9	9
CREF	22.0	20.9	14.3	4
Colorado National Bank	18.9	21.7	15.0	3
Comerica Bank, Mich.	19.4	18.2	12.5	7
Commerce Bank, St. Louis	25.0	17.5	13.4	5
Commerce Bank, K.C., Mo.	18.9	15.8	11.0	9
Commonwealth Natl. (E), Pa.	19.3	17.7	13.5	5
Confederation Life, Ont.	12.7	19.3	17.2	1
Connecticut Bank & Trust	12.3	19.1	13.1	6
Connecticut Mutual Life	13.3	19.1	13.1	6
Connecticut Mutual Life (Select)	14.1	(1)	(1)	—
Connecticut National Bank	16.9	14.6	11.5	9
Continental Bancorp, Pa.	17.3	19.0	16.6	1
Continental Illinois	18.7	15.5	11.9	8
Crown Life, Ont.	14.5	14.4	12.0	8
Cullen Bank, Texas	24.3	20.2	13.6	5
C&S Trust Florida	20.0	21.1	16.2	2
Dauphin Deposit, Pa.	22.3	22.3	(1)	—
Dominion Trust, Va.	21.8	19.6	13.6	5
Employers Life of Wausau (1), Wis.	14.6	14.2	15.9	2
Equibank, Pa.	7.4	13.7	8.6	10
Equitable Bank, Md.	9.4	15.7	13.1	6
Equitable Life (No. 1), N.Y.	11.8	15.7	12.4	7
Equitable Life (No. 4), N.Y.	14.4	17.9	16.2	2
Equitable Life (No. 18), N.Y.	15.1	17.6	15.1	3
Fidelity Bank, Pa.	6.7	15.6	10.2	10
Fidelity Mgmt. (Earnings Gro.), Mass.	16.9	(1)	(1)	—
Fidelity Mgmt. (Income), Mass.	19.0	24.9	(1)	—
Fifth Third Bank, Ohio	17.6	19.1	15.9	2
First Alabama Bank (I), Ala.	23.0	20.0	13.2	6
First Alabama, Mobile	10.8	18.3	12.1	8
First Bank Milwaukee	20.5	20.6	13.5	5
First Citizens, N.C.	16.1	17.6	(1)	—
First City Dallas	8.6	14.5	9.3	10
First City Natl., Houston	20.7	17.1	13.9	4
First Florida Bank	14.6	18.3	(1)	—
First in Bartlesville, Okla.	13.4	18.7	12.6	7
First in Wichita, Kan.	16.7	(1)	(1)	—
First Interstate Billings, Mont.	15.4	(1)	(1)	—
First Interstate of Ariz.	12.4	17.1	11.7	8
First Interstate of Calif.	18.6	13.9	10.6	10
First interstate of Denver (Value)	19.8	24.8	(1)	—
First Interstate of Denver	17.3	17.1	17.7	1
First Interstate of Nevada	9.3	10.3	15.7	2
First Interstate of Okla.	19.5	22.5	17.1	1
First Interstate of Oregon	17.7	24.2	15.6	2
First Interstate of Wash.	19.4	18.3	15.2	3
First Jersey Natl., N.J.	12.0	18.1	14.4	3
First Kentucky Trust	18.1	19.7	13.6	5
First Midwest, Moline, Ill.	9.3	11.1	11.5	9
First Natl., Lincoln, Neb.	19.4	18.4	14.8	3
First Natl. of Tulsa, Okla.	14.7	13.8	10.7	9
First of America (Value), Mich.	20.8	(1)	(1)	—
First of America, Mich.	22.0	22.6	15.7	2
First of Boston, Mass.	17.5	(1)	(1)	—
First of Chicago	16.0	17.7	12.2	7
First of Cincinnati	13.6	15.7	11.5	9
First of Elgin (A), Ill.	14.4	(1)	(1)	—
First of Elgin (C), Ill.	12.6	14.9	12.2	7
First of Kenosha, Wis.	3.7	10.6	10.5	10
First of Maryland	19.5	17.2	14.0	4
First of Minneapolis	13.9	15.9	10.6	10
First of Neenah, Wis.	20.5	19.9	14.0	4
First of Neenah, Wis.	19.4	18.0	14.2	4
First of Omaha, Neb.	20.0	22.8	17.1	1
First of Shreveport, La.	10.8	14.2	(1)	—
First of Toledo, Ohio	17.0	14.0	10.4	10
First Pennsylvania Bank	6.3	16.9	13.3	6
First Security Natl. (D), Ky.	22.6	21.1	(1)	—
First Tennessee Memphis	13.9	18.6	13.7	5
First Trust Co., Minn.	6.0	15.4	11.9	8
First Trust Corp., Colo.	20.5	20.4	18.4	1
First Union Bank, N.C.	19.6	25.3	18.0	1
First United Trust Co., Ill.	10.6	14.8	10.2	10
First Variable Life, Ark.	6.1	21.3	16.1	2
First Wis. Natl., Madison	12.8	19.5	19.5	1
First Wisconsin Trust (Div.)	13.6	15.5	12.3	7
First Wisconsin Trust (Income)	20.2	21.7	14.2	4
Frost National, Texas	20.2	19.7	10.2	10
Gary Wheaton Bank, Ill.	14.4	19.7	13.3	5
Gary Wheaton Bank (Hedged), Ill.	15.7	(1)	(1)	—
Great West Life, Manitoba	18.3	18.3	12.3	7
Greeley National, Colo.	12.2	12.0	9.5	10
Guardian Insurance, N.Y.	18.9	24.0	19.9	1
Hamilton Bank, Pa.	23.1	17.6	14.4	4
Harris Trust, Ill.	26.4	20.7	13.1	6
Harris Trust (Low p/e), Ill.	20.6	(1)	(1)	—
Hawaiian Trust	21.0	15.8	12.7	7
Hibernia National, La.	15.0	14.2	11.9	8
Home Life, N.Y.	18.6	18.3	16.1	2
HT Investors, R.I.	18.8	18.8	13.3	5
IAA Trust Co. (C), Ill.	10.6	17.3	14.7	3
Imperial Trust Co., Calif.	14.6	(1)	(1)	—
Indiana National Bank	18.3	15.5	12.0	8
Interfirst Bank Dallas	12.1	15.9	12.6	7
Interfirst Bank Dallas (Income)	27.5	(1)	(1)	—
Irving Trust, N.Y.	17.6	20.0	13.0	6
Jefferson Trust, Ill.	10.7	16.4	11.8	8
John Hancock (1K), Mass.	16.7	19.3	(1)	—
John Hancock (1L), Mass.	13.2	19.9	(1)	—
Key Trust Co., N.Y.	20.3	17.9	12.2	7
Lake Shore Natl., Ill.	21.1	23.3	15.4	2
LaSalle Natl. (Core), Ill.	15.6	(1)	(1)	—
LaSalle Natl. (Intrinsic), Ill.	14.5	(1)	(1)	—
Liberty National, Ky.	18.3	(1)	(1)	—
Liberty National, Okla.	15.1	16.7	14.4	3
Lincoln Natl. Pens. (Growth), Ind.	17.0	17.7	(1)	—
Lincoln Natl. Pens. (Select), Ind.	17.9	(1)	(1)	—
Lloyds Bank, Calif.	17.9	16.6	12.0	8
Long Island Trust, N.Y.	20.0	14.8	12.2	8
Manufacturers Hanover, N.Y.	18.7	15.0	12.7	7
Manufacturers Life, Ont.	1.1	25.1	23.2	1
Marine Bank, Pa.	13.5	16.0	(1)	—
Marine Midland, N.Y.	12.5	22.0	(1)	—
Marquette Bank, Minn.	10.9	10.8	7.8	10
Maryland National	19.0	14.3	10.6	10
Massachusetts Mutual	20.9	21.3	16.3	2
MBank, Austin, Texas	10.4	12.1	8.4	10
Mellon Bank, Pa.	22.0	20.6	12.8	6
Mercantile Bank, Mo.	19.5	16.8	13.4	5
Mercantile Natl., Ind.	17.2	15.3	(1)	—
Mercantile Safe, Md.	13.2	20.4	14.0	4
Merchants Natl. (Fund 2), Ind.	16.9	18.9	13.7	4
Merchants Natl. (No. 1), Ind.	8.0	16.3	11.6	9
Merchants Natl., Pa.	13.9	14.7	(1)	—
Metropolitan Life (No. 40), N.Y.	10.6	(1)	(1)	—
Mich. Natl. of Grand Rapids	20.8	14.9	10.4	10
Midland National, N.J.	13.7	19.5	(1)	—
Mid-State Bancorp., Pa.	13.8	18.5	(1)	—
Minnesota Mutual	-0.6	15.1	12.0	8
Morgan Guaranty, N.Y.	17.9	19.2	(1)	—
MTrust (Growth), Texas	14.4	19.5	16.2	2
MTrust (Value), Texas	15.1	23.7	16.5	2
Mutual Benefit, N.J.	19.9	22.9	14.6	3
Mutual of America (No. 1), N.Y.	11.2	17.5	(1)	—
Mutual of America (No. 2), N.Y.	13.7	(1)	(1)	—
Mutual of New York (Growth)	13.4	16.4	11.3	9
Mutual of New York (Income)	20.7	20.9	(1)	—
Mutual Service Life, Minn.	12.8	(1)	(1)	—
National Bank of Detroit	16.5	17.5	10.9	9
Natl. Bank of Commerce, Neb.	21.7	18.9	17.6	1
Natl. Bank of Commerce, Tenn.	19.6	21.8	(1)	—
Natl. City Cleveland	15.4	19.1	15.5	2
NCNB Natl. Bank, N.C.	22.4	14.7	12.5	7
New England Mutual, Mass.	20.4	19.2	13.4	5
New England Mutual (Growth), Mass.	16.6	23.3	17.5	1
New Jersey National	18.4	22.1	14.2	4
New York Life Insurance (Acct. 1)	6.5	17.1	11.2	9
Norstar Trust Co., N.Y.	10.5	18.7	14.5	3
Northern Central, Pa.	19.7	(1)	(1)	—
Northern States Trust, Ill.	15.7	(1)	(1)	—
Northern Trust, Ill.	18.2	18.7	12.9	6
Old Kent, Mich.	7.8	18.8	12.3	7
Old Second Natl., Ill.	19.7	16.4	12.9	6
Oregon Bank	14.1	18.7	12.3	7
Ouachita Natl., La.	15.4	11.6	10.9	9
Pacific Mutual, Calif.	16.6	12.7	11.7	8
Penn Mutual Life (Acct. A), Pa.	15.2	18.1	15.2	3
Philadelphia National	15.2	19.0	15.6	2
Phoenix Mutual, Conn.	17.2	17.0	14.6	3
Pioneer Bank, Ill.	10.7	20.0	(1)	—
Pittsburgh National, Pa.	13.6	12.8	10.9	9
Pittsburgh Natl. (QMS), Pa.	19.9	17.9	(1)	—
Planters National (B), N.C.	8.4	16.3	11.8	8
Principal Mutual Life, Iowa	18.2	20.1	16.6	1
Provident Bank, Ohio	13.6	13.1	10.6	10
Provident National, Pa.	18.1	23.0	17.5	1
Prudential (PRIDEX), N.J.	16.1	18.0	(1)	—
Prudential (PRIFORM), N.J.	16.0	21.6	(1)	—
Puget Sound Natl., Wash.	25.9	16.9	12.9	6
RCB Trust Co., Conn.	12.9	(1)	(1)	—
RepublicBank, Dallas	26.1	23.2	15.4	2
Resource Bank & Trust, Minn.	1.6	17.9	(1)	—
Riggs of Washington	18.7	17.9	12.4	7
Seafirst Bank, Wash.	18.2	13.1	12.1	8
Seattle Trust, Wash.	15.8	20.0	12.9	6
Security Natl., W. Va.	12.2	15.2	(1)	—
Security Pacific (E), Calif.	21.3	17.4	(1)	—
Security Pacific (Income B), Calif.	20.5	20.0	(1)	—
Sentry Life (B), Wis.	14.8	16.7	13.4	5
Sentry Life (E), Wis.	13.9	(1)	(1)	—
Shawmut Bank, Mass.	13.4	19.3	(1)	—
Society National, Ohio	17.4	20.9	13.6	5
South Carolina National	26.9	(1)	(1)	—
Southeast Bank, Fla.	17.4	20.9	13.8	4
Sovran Bank, Va.	19.8	19.8	13.1	6
State Natl., Evanston, Ill.	21.3	18.6	16.4	2
State Street Bank, Mass.	19.5	19.5	14.6	3
State Street Bank (S&P 500), Mass.	18.5	19.7	(1)	—
State Street Bank (Value I), Mass.	27.2	(1)	(1)	—
State Street Bank (Value II), Mass.	24.5	(1)	(1)	—
Summit Bank, Ind.	15.4	17.1	11.7	9
Summit Trust Co., N.J.	12.2	17.1	9.3	10
Sun Bank, Fla.	32.0	31.1	19.0	1
Texas Commerce	15.2	19.7	15.3	3
Third Natl., Nashville	14.3	12.9	11.2	9
Toledo Trust, Ohio	18.4	18.8	11.8	8
Unibanctrust, Ill.	15.7	16.6	14.6	3
Union Central, Ohio	12.9	18.6	13.4	5
Union Natl., Wichita, Kan.	11.7	13.3	11.5	9
Union Trust Baltimore (D), Md.	17.9	17.9	13.4	5
United Carolina Bank, N.C.	16.2	18.3	(1)	—
United Missouri, K.C.	15.0	17.9	12.9	6
United of Denver	0.9	18.7	14.5	3
US Natl. of Galveston	17.9	22.2	18.2	1
US Natl. of Oregon	14.8	19.9	17.8	1
Valley Fidelity, Tenn.	13.7	17.1	14.8	3
Valley National, Ariz.	12.8	19.2	11.3	9
Wachovia Bank, N.C.	18.5	17.7	12.1	8
Wachovia Bank (Mgmt.), N.C.	10.5	(1)	(1)	—
Wells Fargo (Index), Calif.	18.5	20.0	13.9	4
Wells Fargo (T&T), Calif.	20.1	(1)	(1)	—
Wheeling Dollar Bank, W. Va.	13.3	18.8	15.1	3
Wilmington Trust, Del.	16.9	18.1	12.9	6
Standard & Poor's 500	**18.7**	**19.9**	**13.9**	**4**

Fixed-income performance

cumulative periods ended 12/31/86

	No. of years			
	1	5	10	DCR
		%		
Aetna Life & Cas. (SA 76), Conn.	14.1	17.3	(1)	—
Alaska Pacific Trust	12.6	14.7	(1)	—
American Fletcher, Ind.	13.8	16.4	9.5	8
American Fletcher (Inter.), Ind.	12.0	14.0	9.1	9
American Natl., Minn.	15.0	18.2	10.8	3
American Natl. Bank, Ind.	15.7	14.7	10.6	3
American Natl. Bank (Income), Ind.	14.3	12.6	9.6	7
American Natl. Bank, Tenn.	15.4	17.4	11.3	2
American Security, D.C.	17.6	20.2	12.2	1
AmeriTrust, Ohio	13.9	16.0	9.5	8
AmeriTrust (Reserve), Ohio	11.0	12.9	11.0	2
AmSouth (Bond), Ala.	16.2	19.9	9.0	9
AmSouth, Ala.	11.5	12.6	(1)	—
Associated Kellogg, Wis.	11.8	15.0	9.7	7
Associated Manitowoc, Wis.	16.9	17.7	10.7	3
BancTexas, Dallas	12.9	14.6	10.1	5
Bank IV Wichita, Kan.	11.4	16.2	12.6	1
Bank of America, Calif.	14.7	16.8	9.2	9
Bank of California	15.3	18.7	10.5	4
Bank of New England, Mass.	15.9	17.2	11.4	2
Bank of New York	11.6	18.0	10.2	5
Bank of Oklahoma, Tulsa	12.5	16.6	8.7	10
Bank of Tokyo, N.Y.	13.6	15.4	(1)	—
Bank One Trust, Ohio	14.9	14.2	9.2	9
Bankers Trust, N.Y.	16.2	18.1	10.8	3
Bankers Trust (B), N.Y.	14.9	15.4	11.0	2
Bessemer Trust, N.Y.	15.3	16.8	10.9	3
Beverly Bank, Ill.	15.8	19.3	12.4	1
Boatmen's FNB, K.C., Mo.	15.2	16.0	(1)	—
Boatmen's National, Mo.	15.9	17.0	11.3	2
Calcasieu Marine Natl., La.	12.7	(1)	(1)	—
California First Bank	13.5	18.0	10.1	5
Central Bank Denver	8.3	9.9	6.9	10
Central Bank Monroe, La.	12.0	(1)	(1)	—
Central Fidelity, Va.	15.0	18.7	11.5	2
Central Penn, Pa.	12.7	16.6	(1)	—
Chase Manhattan (A), N.Y.	16.6	16.9	9.6	7
Chase Manhattan (Inter.), N.Y.	16.6	(1)	(1)	—
Chase Manhattan (Long-term), N.Y.	21.3	(1)	(1)	—
Chase Manhattan (Sec. Mtg.), N.Y.	12.6	(1)	(1)	—
Chase Manhattan (Short Inter.), N.Y.	10.9	(1)	(1)	—
Chemical Bank (1), N.Y.	15.3	17.0	9.3	8
Chemical Bank (2), N.Y.	16.4	(1)	(1)	—
Chicago Title & Trust	15.2	16.6	9.9	6
CIGNA Corp. (Inter.), Conn.	12.8	18.7	(1)	—
CIGNA Corp. (Pub. traded), Conn.	18.6	20.1	11.1	2
Citicorp, N.Y.	16.3	19.7	10.8	3
Citizens Com. & Savings, Mich.	15.1	17.9	10.2	4
Citizens Fidelity, Ky.	13.6	16.5	10.4	4
Citizens & Southern, Ga.	15.3	16.3	8.8	10
Citytrust, Conn.	14.4	17.7	9.9	6
Colonial Amer. Natl., Va.	14.6	18.2	10.6	3
Colorado National Bank	15.5	19.5	10.4	4
Comerica Bank, Mich.	17.9	17.4	10.4	4
Comerica Bank (Inter.), Mich.	12.8	(1)	(1)	—
Commerce Bank St. Louis	12.5	14.4	10.1	5
Commerce Bank, K.C., Mo.	8.5	15.4	9.1	9
Commerce Union, Tenn.	9.0	17.7	10.5	4
Commonwealth National, Pa.	11.0	16.4	9.4	8
Confederation Life, Ont.	15.0	17.8	9.3	8
Connecticut Bank & Trust	16.5	15.5	8.4	10
Connecticut Natl. Bank	20.3	20.4	11.1	2
Connecticut Natl. Bank (Inter.)	17.4	(1)	(1)	—
Continental Bancorp, Pa.	13.5	12.4	8.0	10
Continental Illinois	16.7	16.0	9.1	9
Continental Illinois (Inter.)	13.5	14.7	(1)	—
Crown Life, Ont.	13.9	16.0	8.9	9
Cullen Bank, Texas	11.3	16.2	11.0	2
C&S Trust Florida	14.6	16.7	10.7	3
Dauphin Deposit (Corp), Pa.	15.4	16.4	(1)	—
Dauphin Deposit (Short term), Pa.	9.3	(1)	(1)	—
Delaware Trust Co., Del.	24.4	21.6	(1)	—
Equibank, Pa.	10.2	14.8	9.2	8
Equitable Bank, Md.	14.7	14.9	8.9	9
Equitable Life (No. 5), N.Y.	22.2	19.4	9.5	8
Exchange Natl. Bank, Ill.	12.9	17.2	10.0	6
Fidelity Bank, Pa.	19.7	16.8	12.5	1
Fifth Third Bank, Ohio	15.2	16.5	(1)	—
First Alabama, Mobile	11.9	16.6	9.9	6
First Bank Milwaukee	14.7	16.8	11.0	2
First Citizens, N.C.	10.6	13.1	(1)	—
First City Dallas	14.4	15.9	9.3	8
First City Natl. Houston	16.7	17.6	9.6	7
First in Bartlesville, Okla.	10.8	14.1	10.1	5
First in Wichita, Kan.	13.8	(1)	(1)	—
First Interstate of Arizona	17.6	19.5	11.4	2
First Interstate of Calif.	14.5	18.3	11.7	1
First Interstate of Denver	23.1	22.1	11.9	1
First Interstate of Nevada	2.4	15.8	(1)	—
First Interstate of Okla.	10.1	15.1	7.7	10
First Interstate of Oregon	14.6	16.3	10.2	5
First Interstate of Wash.	15.3	17.1	10.0	6
First Jersey National, N.J.	15.1	17.7	12.1	1
First Kentucky Trust	16.6	20.0	11.7	1
First Midwest, Moline, Ill.	12.0	16.1	10.0	6
First Natl., Jackson, Miss.	11.1	14.0	10.0	6
First Natl., Lincoln, Neb.	13.7	16.9	10.1	5
First Natl. of Tulsa, Okla.	9.4	14.1	8.8	10
First of America, Mich.	12.9	13.6	8.8	10
First of Boston, Mass.	15.8	17.0	9.3	8
First of Chicago	15.9	19.2	10.4	4
First of Chicago ($ fixed)	15.1	19.3	(1)	—
First of Cincinnati	12.7	17.1	9.5	7
First of Cincinnati (Inter.)	9.8	(1)	(1)	—
First of Elgin (D), Ill.	7.9	11.6	8.9	10
First of Elgin (D1), Ill.	7.7	12.5	(1)	—
First of Kenosha, Wis.	6.5	10.0	5.6	10
First of Maryland	12.0	17.1	10.7	3
First of Minneapolis	10.0	14.7	8.8	10
First of Neenah (Inter.), Wis.	11.3	13.7	10.5	4
First of Neenah (Long term), Wis.	12.5	15.6	10.8	3
First of Neenah (Mtg.), Wis.	10.8	16.2	(1)	—
First of Omaha (C), Neb.	15.9	18.6	10.2	5
First of Shreveport, La.	12.4	16.4	(1)	—
First of Toledo, Ohio	10.9	15.0	10.1	5
First Pennsylvania Bank	15.6	12.6	8.9	9
First Security Natl. (F), Ky.	11.9	(1)	(1)	—
First Tennessee Memphis	16.4	17.4	9.8	7
First Trust Co., Minn.	14.9	16.3	10.0	6
First Trust Corp., Colo.	17.9	18.3	10.1	5
First Union Bank, N.C.	12.7	14.9	9.5	8
First Union Bank (1), N.C.	9.9	(1)	(1)	—
First United Trust Co. (I), Ill.	11.9	15.9	9.2	8
First Variable Life, Ark.	16.7	19.2	(1)	—
First Wis. Natl., Madison	16.9	20.2	11.7	1
First Wisconsin Trust (Inter.)	16.9	16.7	9.9	6
First Wisconsin Trust (Passive)	12.5	(1)	(1)	—
Frost National, Texas	14.4	17.6	9.2	8
Gary Wheaton Bank, Ill.	13.4	16.0	10.5	4
Greeley National, Colo.	11.9	15.3	10.2	5
Hamilton Bank, Pa.	14.3	18.1	(1)	—
Harris Trust (Bond), Ill.	15.7	17.4	9.2	9
Harris Trust (Gain), Ill.	13.3	(1)	(1)	—
Hawaiian Trust	18.9	18.7	10.3	4
Hawaiian Trust (Defens.)	9.8	11.9	(1)	—
Hibernia National, La.	15.0	17.2	12.1	1
Home Life, N.Y.	12.8	(1)	(1)	—
HT Investors, R.I.	14.6	15.9	9.2	9
HT Investors (A), R.I.	14.2	(1)	(1)	—
IAA Trust Co., Ill.	18.9	20.2	11.0	2
Imperial Trust Co., Calif.	14.9	(1)	(1)	—
Indiana National Bank	13.9	16.9	10.7	3
Interfirst Bank Dallas	13.6	17.5	10.0	6
Interfirst Bank Dallas (Inter.)	11.7	14.1	(1)	—
Irving Trust, N.Y.	12.4	17.6	10.0	6
Jefferson Trust, Ill.	11.8	13.3	10.6	3
John Hancock, Mass.	17.9	19.9	10.9	2
Key Trust Co., N.Y.	17.1	19.0	10.9	3
LaSalle Natl. (Inter.), Ill.	14.2	15.9	9.2	8
LaSalle Natl. (Long term), Ill.	18.4	(1)	(1)	—
Liberty National, Ky.	16.7	18.6	10.0	6
Liberty National, Okla.	12.2	17.1	8.5	10
Life of Virginia	15.7	21.7	12.5	1
Lincoln Natl. Pens., Ind.	16.1	17.9	(1)	—
Lloyds Bank (C), Calif.	16.2	19.2	11.1	2
Long Island Trust, N.Y.	13.6	14.6	(1)	—
Manufacturers Hanover, N.Y.	16.8	17.4	11.6	1
Manufacturers Life, Ont.	18.3	16.4	(1)	—
Marine Bank, Pa.	9.7	14.4	(1)	—
Marine Midland, N.Y.	14.7	18.5	9.8	7
Maryland National	13.7	15.4	8.6	10
Maryland National (II)	13.2	16.0	(1)	—
Massachusetts Mutual	14.9	17.4	10.5	4
MBank, Austin, Texas	8.8	14.0	10.2	5
Mellon Bank, Pa.	15.9	18.1	10.7	3
Mercantile Bank, Mo.	16.6	17.8	11.3	2
Mercantile Natl., Ind.	14.1	12.4	(1)	—
Mercantile Safe, Md.	14.7	16.0	10.2	5
Mercantile Safe (Inter.), Md.	12.3	14.5	(1)	—
Merchants National, Ind.	14.4	15.4	10.0	6
Merchants National, Pa.	15.0	16.8	11.4	2
Metropolitan Life (No. 41), N.Y.	19.5	(1)	(1)	—
Michigan Natl. of Grand Rapids	12.2	15.2	9.1	9
Midlantic National, N.J.	13.4	17.2	9.8	7
Mid-State Bancorp., Pa.	15.4	15.3	(1)	—
Minnesota Mutual	9.8	16.1	9.8	7
Morgan Guaranty, N.Y.	16.3	18.4	11.6	2
MTrust, Texas	16.2	17.5	9.0	9
Mutual of New York (Priv. Place)	12.8	18.7	(1)	—
Mutual of N.Y. (Public)	14.9	18.9	(1)	—
Natl. Bank of Detroit	15.1	17.8	10.3	4
Natl. Bank of Commerce, Neb.	16.0	18.8	9.7	7
Natl. Bank of Commerce, Tenn.	15.0	17.6	(1)	—
Natl. City Cleveland	13.3	16.7	9.3	8
NCNB Natl. Bank, N.C.	14.7	15.5	10.6	3
New England Mutual, Mass.	15.5	16.8	8.8	10
New York Life Ins. (Acct. 4)	13.4	(1)	(1)	—
Norstar Trust Co., N.Y.	13.5	17.3	10.0	6
Northern Central, Pa.	11.9	15.4	(1)	—
Northern Trust, Ill.	16.6	17.6	10.0	6
Northern Trust (Inter.), Ill.	10.9	13.9	(1)	—
Old Kent, Mich.	12.4	14.7	8.9	10
Old Second Natl., Ill.	13.1	15.9	9.6	7
Old Second Natl. (HR 10), Ill.	12.2	15.3	9.8	7
Oregon Bank	13.6	16.0	10.9	3
Ouachita Natl., La.	13.2	14.0	10.1	5
Pacific Mutual, Calif.	16.2	19.3	12.3	1
Philadelphia Natl., Pa.	17.0	18.3	10.4	4
Phoenix Mutual, Conn.	15.9	(1)	(1)	—
Pioneer Bank, Ill.	12.0	16.0	(1)	—
Pittsburgh National	11.7	14.9	10.3	4
Principal Mutual Life, Iowa	17.4	(1)	(1)	—
Provident National, Pa.	16.5	17.1	10.1	5
Puget Sound Natl., Wash.	9.3	12.9	9.2	9
RCB Trust Co. (Core), Conn.	13.3	(1)	(1)	—
RCB Trust Co. (Special), Conn.	6.1	(1)	(1)	—
RepublicBank, Dallas	18.5	18.4	9.9	6
Riggs of Washington	11.7	16.4	10.5	4
Salomon Broad Bond Index	**15.5**	**18.2**	**(1)**	**—**
Seafirst Bank, Wash.	15.1	17.3	12.0	1
Seattle Trust, Wash.	10.3	13.8	9.4	8
Security Natl., W. Va.	14.4	14.6	(1)	—
Sentry Life (Acct. D), Wis.	14.6	(1)	(1)	—
Shawmut Bank, Mass.	15.9	17.8	(1)	—
Shawmut Bank (Inter.), Mass.	11.6	13.8	(1)	—
Society National, Ohio	15.3	19.9	10.5	4
South Carolina National	12.1	(1)	(1)	—
Southeast Bank, Fla.	14.1	16.3	9.9	7
Sovran Bank, Va.	16.0	19.1	12.7	1
State National, Evanston	10.1	15.1	9.3	8
State Street Bank, Mass.	14.4	18.3	10.1	5
Summit Bank, Ind.	10.1	13.1	8.2	10
Summit Trust Co., N.J.	12.3	14.6	10.0	6
Sun Bank, Fla.	17.2	17.5	10.1	5
Texas Commerce	14.6	17.5	11.9	1
Texas Commerce (Low Vol.)	11.7	(1)	(1)	—
Third National, Nashville	11.7	14.0	9.1	9
Toledo Trust, Ohio	14.1	17.6	10.9	3
Travelers (Acct. D), Conn.	11.9	17.7	(1)	—
Travelers (Acct. P), Conn.	19.6	18.8	(1)	—
Unibanctrust, Ill.	8.7	14.7	9.7	7
Union Central, Ohio	16.7	15.5	9.1	9
Union Natl., Wichita, Kan.	14.1	15.8	9.7	7
Union Trust, Baltimore, Md.	12.3	(1)	(1)	—
United Mercantile (A), Calif.	10.3	(1)	(1)	—
United Missouri, K.C.	12.0	15.0	9.7	7
United of Denver	21.2	23.0	12.8	1
US Natl. of Oregon	14.7	17.9	9.1	9
Valley Fidelity, Tenn.	11.7	15.2	9.9	7
Valley National, Ariz.	12.8	16.6	9.5	8
Wachovia Bank, N.C.	16.4	19.1	10.6	3
Wells Fargo, Calif.	15.5	(1)	(1)	—
Wheeling Dollar Bank, W. Va.	9.6	17.0	9.4	8
Wilmington Trust, Del.	11.4	12.6	7.8	10
Sheerson Lehman G/C Index	**15.6**	**17.9**	**10.4**	**4**

Top quartile commingled equity funds

3-month returns

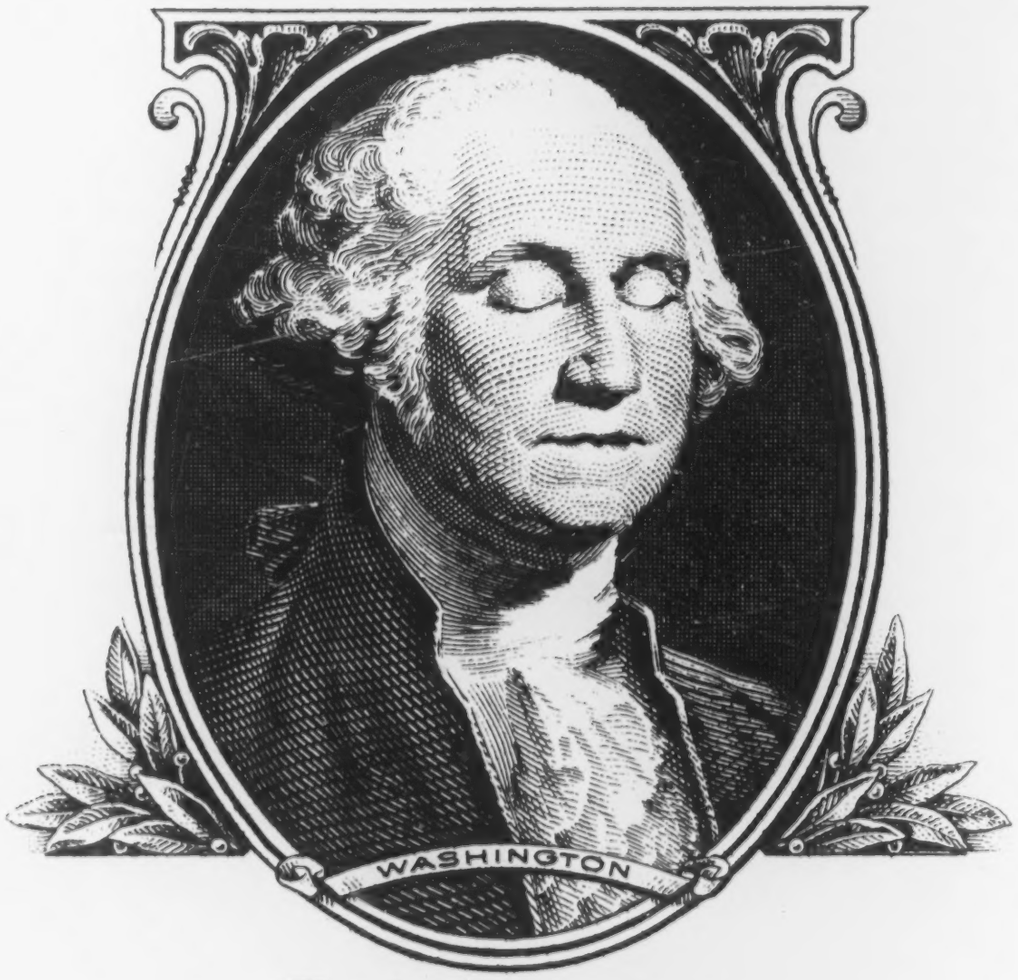
	%
First Interstate of Okla.	9.1
Northern Central (Core), Pa.	8.3
Boatmen's FNB, K.C., Mo.	8.3
First in Wichita, Kan.	8.0
American National, Tenn.	7.9
Puget Sound Natl., Wash.	7.8
Principal Mutual Life, Iowa	7.8
Bank of Calif. (EB Inc. & Gr.)	7.7
Wheeling Dollar Bank, W. Va.	7.6
First City Natl., Houston	7.6
First Alabama Bank (No. 1)	7.5
Dominion Trust (Corp. trust), Va.	7.3
NCNB National Bank, N.C.	7.1
Nevada National Bank,	7.1
New York Life Ins. (Acct. 1)	7.0
Lake Shore Natl., Ill.	7.0
Lincoln Natl. Pens. (Growth), Ind.	7.0
RepublicBank, Dallas	6.9
Associated Kellogg (EB), Wis.	6.8
Mich. Natl. of Grand Rapids	6.8
American Natl. Chicago (Active)	6.8
Old Second Natl., Ill.	6.8
Interfirst Bank Dallas (Inc.)	6.8
Society Natl. (Rel. Val.), Ohio	6.8
Third Natl., Nashville	6.7
Valley National (No. 1), Ariz.	6.7
First Alabama, Mobile	6.7
Security Pacific (E), Calif.	6.6
Mutual Benefit, N.J.	6.6
Wilmington Trust, Del.	6.5
Bank of Tokyo (Com. stk.), N.Y.	6.5
Bank of California (Inc.)	6.4
National City Cleveland	6.3
Lloyds Bank (D), Calif.	6.3
Bank of Delaware (VIP)	6.3
Sun Bank, Fla.	6.3
First of Cincinnati (Bal.)	6.2
Penn Mutual Life (Acct. A)	6.2
Summit Trust Co., N.J.	6.2
Citicorp (Com. Stk.), N.Y.	6.2
Associated Manitowoc (Com. Stk.)	6.2
Mutual of New York (Inc.)	6.0
Planters Natl. (B), N.C.	6.0
New England Mutual, Mass.	6.0
Bessemer Trust, N.Y.	5.9
Citytrust (E1), Conn.	5.9
Connecticut National (EB)	5.9
Hawaiian Trust	5.9
Toledo Trust, Ohio	5.9
Comerica Bank (Com.), Mich.	5.9
Equitable Life (No. 18), N.Y.	5.8
South Carolina Natl.	5.7
First National, Lincoln, Neb.	5.7
First Kentucky Trust	5.7
Northern Trust (Divers.), Ill.	5.6
First Interstate of Calif. (Index)	5.6
Sentry Life (Acct. B), Wis.	5.6
Seafirst Bank, Wash.	5.6
Standard & Poor's 500	**5.6**
Mellon Bank (EB), Pa.	5.6
Manufacturers Hanover, N.Y.	5.6
Massachusetts Mutual	5.5
Summit Bank, Ind.	5.5
Bank of America (Index), Calif.	5.5
Union Trust Baltimore (D)	5.5
Home Life, N.Y.	5.4
Fidelity Mgmt. Trust (Earnings Gr.)	5.4
Wachovia Bank, N.C.	5.4
Cullen Bank, (EB), Texas	5.4
Colorado National Bank	5.4
Liberty National, Okla.	5.4
First Interstate of Wash.	5.4
Prudential (PRIDEX), N.J.	5.4
American Natl. Chicago (S&P)	5.4
Riggs of Washington	5.4
State Street Bank (S&P), Mass.	5.4
Barnett Banks Trust Co. (EB), Fla.	5.4
Indiana National Bank	5.4
Wells Fargo (Index), Calif.	5.4

1-year returns

	%
Sun Bank, Fla.	32.0
Bank of Delaware (VIP)	29.0
Barnett Banks Trust Co. (EB), Fla.	27.9
Interfirst Bank Dallas (Inc.)	27.5
State Street Bank (Value I), Mass.	27.2
South Carolina National	26.9
Harris Trust (Com.), Ill.	26.4
RepublicBank, Dallas	26.1
Puget Sound Natl., Wash.	25.9
Commerce Bank, St. Louis	25.0
State Street Bank (Val. II), Mass.	24.5
Bank of California (Inc.)	24.3
Cullen Bank (EB), Texas	24.3
Citizens & Southern, Ga.	24.1
Bank of the West, Calif.	24.0
American National (Growth), Ind.	23.9
Hamilton Bank, Pa.	23.1
First Alabama Bank (I)	23.0
First Security Natl. (D), Ky.	22.6
NCNB National Bank, N.C.	22.4
Dauphin Deposit (Corp. EB), Pa.	22.3
First of America, Mich.	22.0
CREF	22.0
Bank of New England (Valuepath)	22.0
Mellon Bank (EB), Pa.	22.0
Bank of Virginia (EB)	21.9
Associated Kellogg (EB), Wis.	21.9
Dominion Trust (Corp. Tr.), Va.	21.8
Citizens Fidelity (E), Ky.	21.8
Bank of Calif. (EB Inc. & Gr.)	21.7
Natl. Bank of Commerce, Neb.	21.7
Associated Manitowoc, Wis.	21.6
State Natl. Evanston, Ill.	21.3
Security Pacific (E), Calif.	21.3
Lake Shore National, Ill.	21.1
Hawaiian Trust	21.0
Massachusetts Mutual	20.9
First of America (Concen.), Mich.	20.8
Mich. Natl. of Grand Rapids	20.8
Mutual of New York (Inc.)	20.7
First City Natl., Houston	20.7
Harris Trust (Low p/e), Ill.	20.6
First Bank Milwaukee (Col.)	20.5
Security Pacific (B), Calif.	20.5
First of Neenah, Wis.	20.5
First Trust Corp., Colo.	20.5
Bank of Tokyo, N.Y.	20.4
New England Mutual, Mass.	20.4
Key Trust Co., N.Y.	20.3
Frost Natl. (A), Texas	20.2
First Wisconsin Trust (Inc.)	20.2
Wells Fargo (T&T), Calif.	20.1
Allied Bank, Texas	20.1
Long Island Trust, N.Y.	20.0
C&S Trust Florida (EB)	20.0
First of Omaha (D), Neb.	20.0
American National, Tenn.	20.0
Citytrust, (E1), Conn.	19.9
Pittsburgh Natl. (QMS)	19.9
Mutual Benefit, N.J.	19.9
Sovran Bank (inst.), Va.	19.8
Chemical Bank (1), N.Y.	19.8
First Interstate of Denver (Value)	19.8
Northern Central (Core), Pa.	19.7
Old Second National, Ill.	19.7
First Union Bank, N.C.	19.6
Natl. Bank of Commerce, Tenn.	19.6
Standard & Poor's 500	**18.7**

3-year returns

	%
Sun Bank, Fla.	31.1
Bank of the West, Calif.	25.7
First of America, Mich.	25.0
New Jersey National	24.0
Bank of California (Inc.)	23.2
RepublicBank, Dallas	23.1
Bank of New England (Valuepath)	23.0
Barnett Banks Trust Co. (EB), Fla.	22.8
First of America (Con. Val.), Mich.	22.6
State National Evanston, Ill.	22.5
Alaska Pacific Trust (EBT)	22.5
MTrust (Value), Texas	22.2
First Trust Corp., Colo.	22.0
Guardian Insurance (1), N.Y.	21.6
First Interstate of Oregon (EBT)	21.5
First of Omaha (D), Neb.	21.5
Cullen Bank (EB), Texas	21.5
Mellon Bank (EB), Pa.	21.2
First of Neenah, Wis.	21.1
Northern States Trust, Ill.	20.9
Puget Sound Natl., Wash.	20.8
Frost National (A), Texas	20.7
Bank of Virginia (EB)	20.5
Lake Shore National, Ill.	20.4
First Interstate of Denver (Value)	20.3
First of Neenah, Wis.	20.2
US Natl. of Galveston	19.9
Citytrust (E1), Conn.	19.8
Harris Trust (Com.), Ill.	19.7
Dauphin Deposit (Corp. EB), Pa.	19.7



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Dominion Trust (Corp. Tr.), Va.	19.5
Prudential (Low p/e), N.J.	19.4
First Security Natl. (D), Ky.	19.4
Mutual of New York	19.3
Bank of Tokyo, N.Y.	19.3
Bank of Calif. (Inc. & Gr.)	19.3
CREF	19.3
First Union Bank, N.C.	19.3
C&S Trust Florida (EB)	19.2
Citizens Fidelity (E), Ky.	19.2
Gary Wheaton Bank, Ill.	19.2
LaSalle National (Intrin.), Ill.	19.1
John Hancock (1L), Mass.	19.1
Society National (Rel. Val.), Ohio	18.9
Riggs of Washington	18.7
Continental Bancorp (Corn.), Pa.	18.7
Colorado National Bank	18.7
Central Penn (Com.), Pa.	18.7
Provident National, Pa.	18.7
Wells Fargo (Index), Calif.	18.7
Natl. Bank of Commerce, Tenn.	18.7
Massachusetts Mutual	18.6
American Natl. (Active), Chicago	18.6
Comerica Bank (Com.), Mich.	18.5
American Natl. (S&P), Chicago	18.5
AmeriTrust (Divers.), Ohio	18.5
Standard & Poor's 500	**18.5**
American National Bank, Tenn.	18.5
Pittsburgh Natl. (QMS), Pa.	18.4
Fidelity Mgmt. Trust (Inc.), Mass.	18.4
Bankers Trust (Index), N.Y.	18.4
Natl. Bank of Commerce, Neb.	18.3
State Street Bank (S&P), Mass.	18.3

5-year returns

	%
Sun Bank, Fla.	31.1
First Union Bank, N.C.	25.3
Manufacturers Life, Ont.	25.1
Fidelity Mgmt. Trust (Inc.), Mass.	24.9
First Interstate of Denver (Value)	24.8
First Interstate of Oregon (EBT)	24.2
Guardian Insurance (1), N.Y.	24.0
MTrust (Value), Texas	23.7
New England Mutual (Sep. Cap.)	23.3
Lake Shore National, Ill.	23.3
RepublicBank, Dallas	23.2
Provident National, Pa.	23.0
Mutual Benefit, N.J.	22.9
First of Omaha (D), Neb.	22.8
First of America, Mich.	22.6
First Interstate of Okla.	22.5
Dauphin Deposit (Corp. EB), Pa.	22.3
Connecticut Mutual Life (CM)	22.3
US Natl. of Galveston	22.2
New Jersey National	22.1
Bank of Virginia (EB)	22.1
Marine Midland, N.Y.	22.0
Natl. Bank of Commerce, Tenn.	21.8
First Wisconsin Trust (Inc.)	21.7
Colorado National Bank	21.7
Prudential (PRIFORM), N.J.	21.6
Barnett Banks Trust Co. (EB), Fla.	21.5
Bank of the West, Calif.	21.4
First Variable Life, Ark.	21.3
Massachusetts Mutual	21.3
First Security Natl. (D), Ky.	21.1
American Natl. (Active), Chicago	21.1
C&S Trust Florida (EB)	21.1
CREF	20.9
Southeast Bank (EB), Fla.	20.9
Mutual of New York	20.9
Society National (Rel.), Ohio	20.9
Harris Trust (Com.), Ill.	20.7
AmSouth, Ala.	20.7
Mellon Bank (EB), Pa.	20.6
First Bank Milwaukee (Col.), Wis.	20.6
Citytrust (E1), Conn.	20.4
Mercantile Safe, Md.	20.4
First Trust Corp., Colo.	20.4
Cullen Bank (EB), Texas	20.2
Bankers Trust (Index), N.Y.	20.2
Principal Mutual Life, Iowa	20.1
AmeriTrust (Divers.), Ohio	20.1
First Alabama Bank (I)	20.0
Pioneer Bank, Ill.	20.0
Bank of Calif. (EB Inc. & Gr.)	20.0
Security Pacific (B), Calif.	20.0
Seattle Trust, Wash.	20.0
Wells Fargo (Index), Calif.	20.0
Irving Trust, N.Y.	20.0
Standard & Poor's 500	**19.9**
US Natl. of Oregon (Qualivest)	19.9
John Hancock (1L), Mass.	19.9
American Natl. (S&P), Chicago	19.9
First of Neenah, Wis.	19.9

10-year returns

	%
Manufacturers Life, Ont.	23.2
Guardian Insurance (1), N.Y.	19.9
First Wis. Natl., Madison	19.5
American Natl. (Active), Chicago	19.2
Sun Bank, Fla.	19.0
Citizens-Chillicothe (B), Mo.	18.9
First Trust Corp., Colo.	18.4
US Natl. of Galveston	18.2
First Union Bank, N.C.	18.0
US Natl. of Oregon (Qualivest)	17.8
First Interstate of Denver	17.7
Natl. Bank of Commerce, Neb.	17.6

Top equity funds by size

1-year returns

Over $100 million

	%
Sun Bank, Fla.	32.0
Barnett Banks Tr. (EB), Fla.	27.9
Harris Trust (Com.), Ill.	26.4
RepublicBank, Dallas	26.1
First of America, Mich.	22.0
CREF	22.0
Bank of New England (Val.P)	22.0
Mellon Bank (EB), Pa.	22.0
Massachusetts Mutual	20.9
Mutual Benefit, N.J.	19.9

$50 million to $100 million

	%
InterFirst Bank Dallas (Inc.)	27.5
Bank of Calif. (Inc.)	24.3
NCNB Natl. Bank, N.C.	22.4
First City Natl., Houston	20.7
Security Pacific (B), Calif.	20.5
New England Mutual	20.4
Citytrust (E1), Conn.	19.9
Sovran Bank, (Inst.), Va.	19.8
Mercantile Bank (Col.), Mo.	19.5
Comerica Bank (Com.)	19.4

$10 million to $50 million

	%
Bank of Delaware (VIP)	29.0
South Carolina Natl.	26.9
Commerce Bank St. Louis	25.0
Cullen Bank (EB), Texas	24.3
Citizens & Southern, Ga.	24.1
Hamilton Bank, Pa.	23.1
First Alabama Bank (1)	23.0
First Security Natl. (D), Ky.	22.6
Dauphin Deposit (EB), Pa.	22.3
Bank of Virginia (EB)	21.9
Associated Kellogg (EB)	21.9

Under $10 million

	%
Puget Sound Natl., Wash.	25.9
Bank of the West, Calif.	24.0
American Natl. (Growth), Ind.	23.9
Dominion Trust (Corp. tr.)	21.8
Bank of Calif. (Inc. & Gr.)	21.7
Associated Manitowoc, Wis.	21.6
Old Second Natl., Ill.	19.7
First of Neenah, Wis.	19.4
Great West Life Assur., Man.	18.3
Union Trust Baltimore (D)	17.9
Boston Safe Deposit, Mass.	17.9

10-year returns

Over $100 million

	%
First Wis. Natl., Madison	19.5
American Natl. (Act.), Ill.	19.2
Sun Bank, Fla.	19.0
First Union Bank, N.C.	18.0
US Natl. of Oregon (Quali.)	17.8
Provident National, Pa.	17.5
Bessemer Trust, N.Y.	17.3
Principal Mutual Life, Iowa	16.6
Massachusetts Mutual	16.3
Equitable Life (No. 4), N.Y.	16.2
MTrust (Growth), Texas	16.2

$50 million to $100 million

	%
Manufacturers Life, Ont.	23.2
First Interstate of Denver	17.7
New Eng. Mutual (Sep. cap.)	17.5
Continental Bancorp (C.), Pa.	16.6
AmSouth, Ala.	15.6
Colorado National Bank	15.0
Citytrust (E1), Conn.	14.7
Phoenix Mutual, Conn.	14.6
Norstar Trust Co., N.Y.	14.5
First Jersey Natl., N.J.	14.4
Liberty National, Okla.	14.4

$10 million to $50 million

	%
Guardian Insurance (1), N.Y.	19.9
Citizens Chillicothe (Emp. B)	18.9
First Trust Corp., Colo.	18.4
US Natl. of Galveston	18.2
Natl. Bank of Commerce	17.6
Confederation Life, Ont.	17.2
First of Omaha (D)	17.1
First Interstate of Okla.	17.1
MTrust (Value Fund), Texas	16.5
State Natl., Evanston	16.4

Under $10 million

	%
Unibanctrust, Ill.	14.6
First of Neenah, Wis.	14.2
Merchants Natl. (2), Ind.	13.7
Dominion Trust (Corp. tr.)	13.6
Union Central, Ohio	13.4
Union Trust Baltimore (D)	13.4
Irving Trust, N.Y.	13.0
Puget Sound Natl., Wash.	12.9
Old Second Natl., Ill.	12.9
Bank of Calif. (Inc. & Gr.)	12.8

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Provident National, Pa. 17.5
New England Mutual (Sep. Cap.) 17.5
Bessemer Trust, N.Y. 17.3
Confederation Life, Ont. 17.2
First of Omaha, (D), Neb. 17.1
First Interstate of Okla. 17.1
Principal Mutual Life, Iowa 16.6
Continental Bancorp, Pa. 16.6
MTrust (Value), Texas 16.5
State Natl., Evanston, Ill. 16.4
Massachusetts Mutual 16.3
C&S Trust Florida (EB) 16.2
Equitable Life (No. 4), N.Y. 16.2
Bank of Virginia (EB), Va. 16.2
MTrust (Growth), Texas 16.2
Home Life, N.Y. 16.1
First Variable Life, Ark. 16.1
Fifth Third Bank (EB), Ohio 15.9
Employers Life of Wausau (1) 15.9
First of America, Mich. 15.7
First Interstate of Nevada (EB) 15.7
Aetna Life & Casualty, Conn. 15.7
First Interstate of Oregon (EBT) 15.6
Philadelphia National, Pa. 15.6
AmSouth, Ala. 15.6
National City Cleveland 15.5
Lake Shore National, Ill. 15.4
RepublicBank, Dallas 15.4
Texas Commerce (Divers.) 15.3
First Interstate of Wash. 15.2
Penn Mutual Life (A), Pa. 15.2
Wheeling Dollar Bank, W. Va. 15.1
Equitable Life (No. 18), N.Y. 15.1
Bank of Tokyo, N.Y. 15.0
Colorado National Bank 15.0
Valley Fidelity (EB), Tenn. 14.8
First National, Lincoln, Neb. 14.8
CIGNA Corp. (A), Conn. 14.7
IAA Trust Co. (C), Ill. 14.7
Citytrust (E1), Conn. 14.7
Standard & Poor's 500 ..... **13.9**

Top quartile commingled fixed-income funds

3-month returns

	%
Delaware Trust Co. (EB Inc.)	8.0
Connecticut National Bank (EB)	5.7
First Interstate of Denver	5.3
RepublicBank, Dallas	5.0
Chase Manhattan (Long-term)	5.0
HT Investors, R.I.	4.9
Chemical Bank (Com. 1), N.Y.	4.9
Metropolitan Life (No. 41), N.Y.	4.9
HT Investors (A), R.I.	4.8
Sun Bank, Fla.	4.8
First Interstate of Calif.	4.8
Security Pacific, Calif.	4.7
Mercantile Bank, (Col.), Mo.	4.5
Travelers (Acct. P), Conn.	4.5
First Kentucky Trust (Ret. Tr.)	4.4
Natl. Bank of Detroit (EB)	4.4
Bankers Trust (A), N.Y.	4.3
Morgan Guaranty, N.Y.	4.3
First Trust Corp., Colo.	4.3
Natl. City Cleveland, Ohio	4.3
Equitable Bank (Com.), Md.	4.3
IAA Trust Co. (B), Ill.	4.3
Lincoln Natl. Pens. (Corp.) Ind.	4.3
First Jersey Natl., N.J.	4.3
Wachovia Bank, N.C.	4.2
Provident National, Pa.	4.2
First of Omaha (C), Neb.	4.2
Comerica Bank (Com.), Mich.	4.2
American National Bank, Ind.	4.2
Connecticut National Bank (Inter.)	4.2
Boatmen's FNB, K.C., Mo.	4.1
Mutual of New York (Public),	4.1
Fidelity Bank (Com.), Pa.	4.1
Principal Mutual Life, Iowa	4.1
Calcasieu Marine Natl. (E)	4.0
First of Chicago ($ fixed), Ill.	4.0
NCNB National Bank, N.C.	4.0
Pacific Mutual, Calif.	4.0
CIGNA (Pub. traded), Conn.	4.0
First in Wichita, Kan.	4.0
Natl. Bank of Commerce, Tenn.	4.0
Norstar Trust Co., N.Y.	3.9
American Security, D.C.	3.9
Mid-State Bancorp, Pa.	3.9
Life of Virginia	3.9
First City Natl., Houston	3.9
First of Minneapolis	3.9
Hibernia National, La.	3.8
Citytrust (E3), Conn.	3.8
First Interstate of Ariz.	3.8
Chase Manhattan (Sec. Mtg.), N.Y.	3.8
First Pennsylvania Bank	3.8
Dauphin Deposit (Corp.), Pa.	3.8
First Interstate of Oregon (EBT)	3.8
First Tennessee, Memphis	3.8
Security National Bank, W. Va.	3.8
Central Fidelity (EB Mgd.), Va.	3.8
Natl. Bank of Commerce, Neb.	3.7
First of Chicago, Ill.	3.7
State Street Bank, Mass.	3.7
AmSouth, Ala.	3.7
Seafirst Bank, Wash.	3.7
Chicago Title & Trust (Com.)	3.7
Beverly Bank, Ill.	3.7
Third Natl., Nashville, Tenn.	3.7
First Trust Co., Minn.	3.7
John Hancock, Mass.	3.7
Salomon Broad Bond Index	**3.3**
Shearson Lehman G/C Index	**3.1**

1-year returns

	%
Delaware Trust Co. (EB)	24.4
First Interstate of Denver	23.1
Equitable Life (No. 5), N.Y.	22.2
Chase Manhattan (Long-term)	21.3
United of Denver	21.2
Connecticut National (EB)	20.3
Fidelity Bank (Com.), Pa.	19.7
Travelers (Acct. P), Conn.	19.6
Metropolitan Life (No. 41), N.Y.	19.5
IAA Trust Co. (B), Ill.	18.9
Hawaiian Trust	18.9
CIGNA (Pub. traded), Conn.	18.6
RepublicBank, Dallas	18.5
LaSalle National (Long-term), Ill.	18.4
Manufacturers Life, Ont.	18.3
First Trust Corp., Colo.	17.9
John Hancock, Mass.	17.9
Comerica Bank (Com.), Mich.	17.9
American Security, D.C.	17.6
First Interstate of Ariz.	17.6
Principal Mutual Life, Iowa	17.4
Connecticut Natl. Bank (Inter.)	17.4
Sun Bank, Fla.	17.2
Key Trust Co., N.Y.	17.1
Philadelphia National, Pa.	17.0
Assoc. Manitowoc (Hi. Inc.), Wis.	16.9
First Wisconsin Natl., Madison	16.9
First Wisconsin Trust (Inter.)	16.9
Manufacturers Hanover (Gr. Tr.)	16.8
Union Central, Ohio	16.7
Continental Illinois (Com.)	16.7
First City Natl., Houston	16.7
Liberty National, Ky.	16.7
First Variable Life, Ark.	16.7
Chase Manhattan (A), N.Y.	16.6
First Kentucky Trust	16.6
Mercantile Bank (Col.), Mo.	16.6
Northern Trust, Ill.	16.6
Chase Manhattan (Inter.), N.Y.	16.6
Connecticut Bank & Trust (EB)	16.5
Provident National, Pa.	16.5
Chemical Bank (Com. 2), N.Y.	16.4
Wachovia Bank, N.C.	16.4
First Tennessee, Memphis	16.4
Morgan Guaranty, N.Y.	16.3
Citicorp, N.Y.	16.3
Pacific Mutual, Calif.	16.2
MTrust, Texas	16.2
Lloyds Bank (C), Calif.	16.2
AmSouth, Ala.	16.2
Bankers Trust (A), N.Y.	16.2
Lincoln Natl. Pens, Ind.	16.1
Natl. Bank of Commerce, Neb.	16.0
Sovran Bank, (Inst.), Va.	16.0
Shawmut Bank, Mass.	15.9
First of Chicago	15.9
First of Omaha (C), Neb.	15.9
Boatmen's National, Mo.	15.9
Phoenix Mutual (Mgd.), Conn.	15.9
Mellon Bank (EB), Pa.	15.9
Bank of New England, Mass.	15.9
Beverly Bank, Ill.	15.8
First of Boston (Inter.), Mass.	15.8
Shearson Lehman G/C Index	**15.6**
Salomon Broad Bond Index	**15.5**

3-year returns

	%
United of Denver	23.7
First Interstate of Denver	22.7
Delaware Trust (EB)	21.9
Equitable Life (No. 5), N.Y.	20.9
Life of Virginia	20.7
Connecticut National Bank (EB)	20.7
Travelers (Acct. P), Conn.	20.6
IAA Trust Co. (B), Ill.	20.4
LaSalle National (Long-term), Ill.	20.1
Manufacturers Life, Ont.	20.0
Hawaiian Trust	19.3
RepublicBank, Dallas	19.2
Metropolitan Life (No. 41), N.Y.	19.1
First Interstate of Ariz.	19.0
John Hancock, Mass.	19.0
Principal Mutual Life, Iowa	19.0
First Trust Corp., Colo.	18.9
American Security, D.C.	18.9
Beverly Bank, Ill.	18.6
CIGNA (Pub. traded), Conn.	18.4
Colorado Natl. Bank	18.4
Continental Illinois (Com.)	18.2
AmSouth, Ala.	18.2
Citicorp, N.Y.	18.2
Natl. Bank of Commerce, Neb.	18.2
First Kentucky Trust	18.1
Connecticut Natl. Bank (Inter.)	18.1
First City Natl., Houston	18.0
Pacific Mutual, Calif.	18.0
Chemical Bank (Com. 1), N.Y.	18.0
Bank of California (Flex.)	17.9
Society National, Ohio	17.9
Key Trust Co., N.Y.	17.9

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First of Chicago	17.9
Morgan Guaranty, N.Y.	17.9
Fidelity Bank (Com.), Pa.	17.9
Comerica Bank (Com.), Mich.	17.8
First of Omaha (C), Neb.	17.8
Northern Trust, Ill.	17.8
Sovran Bank (Inst.), Va.	17.8
First Wis. National, Madison	17.7
Mellon Bank (EB), Pa.	17.7
First Jersey Natl., N.J.	17.7
Harris Trust, Ill.	17.6
First Interstate of Calif.	17.6
First of Chicago ($ fixed), Ill.	17.5
Wachovia Bank, N.C.	17.5
Bankers Trust (A), N.Y.	17.5
Salomon Broad Bond Index	**17.5**
Lloyds Bank (C), Calif.	17.5
Central Fidelity (EB), Va.	17.5
Liberty National, Ky.	17.5
Sun Bank, Fla.	17.4
Manufacturers Hanover (Gr. Tr.)	17.3
Shearson Lehman G/C Index	**17.3**
Seafirst Bank, Wash.	17.2
Colonial American Natl. (Inc.), Va.	17.2
Lincoln Natl. Pens, (Corp.), Ind.	17.2
Aetna Life & Cas. (Acct. 76)	17.2
Bessemer Trust, N.Y.	17.2
Mutual of New York (Public)	17.2

5-year returns

	%
United of Denver	23.0
First Interstate of Denver	22.1
Life of Virginia	21.7
Delaware Trust Co. (EB)	21.6
Connecticut National Bank (EB)	20.4
American Security, D.C.	20.2
First Wis. Natl., Madison	20.2
IAA Trust (B), Ill.	20.2
CIGNA (Pub. traded), Conn.	20.1
First Kentucky Trust (Ret. Tr.)	20.0
AmSouth, Ala.	19.9
Society National, Ohio	19.9
John Hancock, Mass.	19.9
Citicorp, N.Y.	19.7
Colorado Natl. Bank	19.5
First Interstate of Ariz.	19.5
Equitable Life (No. 5), N.Y.	19.4
First of Chicago ($ fixed), Ill.	19.3
Pacific Mutual, Calif.	19.3
Beverly Bank, Ill.	19.3
First of Chicago	19.2
Lloyds Bank (C), Calif.	19.2
First Variable Life, Ark.	19.2
Sovran Bank (Inst. bond), Va.	19.1
Wachovia Bank, N.C.	19.1
Key Trust Co., N.Y.	19.0
Mutual of New York (Public)	18.9
Travelers (Acct. P), Conn.	18.8
Natl. Bank of Commerce, Neb.	18.8
Hawaiian Trust	18.7
Mutual of New York (Priv. place)	18.7
CIGNA (Inter.), Conn.	18.7
Bank of California (Flex.)	18.7
Central Fidelity (EB Mgd.)	18.7
Liberty National, Ky.	18.6
First of Omaha (C), Neb.	18.6
Marine Midland, N.Y.	18.5
RepublicBank, Dallas	18.4
Morgan Guaranty, N.Y.	18.4
First Interstate of Calif.	18.3
First Trust Corp., Colo.	18.3
State Street Bank, Mass.	18.3
Philadelphia National	18.3
Salomon Broad Bond Index	**18.2**
Colonial American Natl. (Inc.), Va.	18.2
American Natl. (EB Inc.), Minn.	18.2
Mellon Bank (EB), Pa.	18.1
Bankers Trust (A), N.Y.	18.1
Hamilton Bank, Pa.	18.1
California First Bank	18.0
Bank of New York	18.0
Shearson Lehman G/C Index	**17.9**
US Natl. of Oregon (Qualivest)	17.9
Lincoln Natl. Pens, (Corp.), Ind.	17.9
Citizens Com. & Svgs. (Inter.)	17.9
Confederation Life (Amer.), Ont.	17.8
Shawmut Bank, Mass.	17.8
Natl. Bank of Detroit (EB)	17.8
Mercantile Bank (Col.), Mo.	17.8

10-year returns

	%
United of Denver	12.8
Sovran Bank (Inst.), Va.	12.7
Bank IV Wichita (EB), Kan.	12.6
Life of Virginia	12.5
Fidelity Bank (Com.), Pa.	12.5
Beverly Bank, Ill.	12.4
Pacific Mutual, Calif.	12.3
American Security, D.C.	12.2
Hibernia National, La.	12.1
First Jersey National, N.J.	12.1
Seafirst Bank, Wash.	12.0
Texas Commerce (Act. Mgd.)	11.9
First Interstate of Denver	11.9
First Interstate of Calif.	11.7
First Wis. Natl., Madison	11.7
First Kentucky Trust (Ret. Tr.)	11.7
Manufacturers Hanover (Gr. Tr.)	11.6
Morgan Guaranty, N.Y.	11.6
Central Fidelity (EB Mgd.), Va.	11.5

Continued on page 25

Top fixed funds by size

1-year returns

Over $100 million	%
Equitable Life (No. 5), N.Y.	22.2
Chase Manhattan (Long)	21.3
Metropolitan Life (No. 41)	19.5
CIGNA (Pub. Tr.), Conn.	18.6
John Hancock, Mass.	17.9
American Security, D.C.	17.6
Principal Mutual Life, Iowa	17.4
Manufacturers Han. (Gr.Tr.)	16.8
Chase Manhattan (A), N.Y.	16.6
Mercantile Bank (Col.), Mo.	16.6
Chase Manhattan (Inter.)	16.6

$50 million to $100 million	%
First Interstate of Denver	23.1
Fidelity Bank (Com.), Pa.	19.7
Manufacturers Life, Ont.	18.3
Comerica Bank (Com.)	17.9
Continental Illinois (Com.)	16.7
First Ky. Trust (Ret. Tr.)	16.6
Northern Trust, Ill.	16.6
Provident National, Pa.	16.5
Chemical Bank (2), N.Y.	16.4
First Tennessee Memphis	16.4

$10 million to $50 million	%
Delaware Trust Co. (EB)	24.4
United of Denver	21.2
IAA Trust Co. (B), Ill.	18.9
Hawaiian Trust	18.9
RepublicBank, Dallas	18.5
Connecticut Natl. (Inter.)	17.4
Sun Bank, Fla.	17.2
Key Trust Co., N.Y.	17.1
Philadelphia Natl., Pa.	17.0
Assoc. Manitowoc (H. Inc.)	16.9
First Wis. Natl. Madison	16.9
First Wis. Trust (Inter.)	16.9

Under $10 million	%
Connecticut National (EB)	20.3
LaSalle Natl. (Long term), Ill.	18.4
First Trust Corp., Colo.	17.9
First Interstate of Ariz.	17.6
Union Central, Ohio	16.7
First Variable Life, Ark.	16.7
Beverly Bank, Ill.	15.8
American National, Ind.	15.7
New England Mutual, Mass.	15.5
Dauphin Deposit, Pa. (EB)	15.4

10-year returns

Over $100 million	%
Life of Virginia	12.5
American Security, D.C.	12.2
Hibernia National, La.	12.1
Texas Commerce (Act. Mgd.)	11.9
Manufacturers Han. (Gr. Tr.)	11.6
Bank of New England	11.4
Boatmen's National, Mo.	11.3
Mercantile Bank (Col.), Mo.	11.3
CIGNA (Pub. Tr.), Conn.	11.1
John Hancock, Mass.	10.9

$50 million to $100 million	%
Sovran Bank, (Inst.), Va.	12.7
Fidelity Bank (Com.), Pa.	12.5
Pacific Mutual, Calif.	12.3
First Jersey Natl., N.J.	12.1
First Interstate of Denver	11.9
First Kentucky Trust (Ret.tr.)	11.7
AmeriTrust (Reserve), Ohio	11.0
Bankers Trust (B), N.Y.	11.0
Bankers Trust (A), N.Y.	10.8
Citicorp, N.Y.	10.8

$10 million to $50 million	%
United of Denver	12.8
Bank IV Wichita (EB)	12.6
First Interstate of Calif.	11.7
First Wis. Natl., Madison	11.7
Merchants National, Pa.	11.4
American National, Tenn.	11.3
Lloyds Bank (C), Calif.	11.1
Cullen Bank, (EB), Texas	11.0
First Bank Milwaukee	11.0
IAA Trust Co. (B), Ill.	11.0

Under $10 million	%
Beverly Bank, Ill.	12.4
Central Fidel. (EB Mgd.), Va.	11.5
First Interstate of Ariz.	11.4
Connecticut National (EB)	11.1
Oregon Bank	10.9
First of Neenah (Long term)	10.8
Colonial Am. Natl. (Inc.), Va.	10.6
American National, Ind.	10.6
First of Neenah (Inter.), Wis.	10.5
Gary Wheaton Bank, Ill.	10.5

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Equity funds . . .

Continued from page 15

Large-capitalization stocks didn't play a major role in the portfolio. "We don't screen high," Mr. Allen said. "We own a large number of medium-cap issues."

Among the Barnett portfolio holdings are **Ashton-Tate Co.**, **Merck** and **Fuji Photo Inc.**

Barnett screens stocks based on financial quality, relative value and changing earnings expectations.

"The difference in a quantitative approach and the more traditional approach is that we aren't listening to stories from Wall Street. We aren't story oriented; we base our decisions on the numbers," said Mr. Allen.

The $18 million stock fund of South Carolina National Bank, Columbia, finished sixth for the year with 26.9% and in the top 20% for the quarter, with a return of 5.7%.

Robert Beaudette, president of SCNC Advisory Corp., which manages the fund, said stock selection is based on a sophisticated computer screening process, with about 60 stocks held out of a 2,000-stock universe.

No stocks of less than $250 million in capitalization are held, he said, and the focus is on large- to intermediate-capitalization stocks. Companies are reviewed for earnings momentum and value.

Some of the larger holdings in the portfolio include **Exxon Corp.**, **Merck**, **Quaker Oats Co.**, **Lockheed Corp.**, **Abbott Laboratories**, **Imperial Chemical Corp.**, **Central & Southwest Corp.** and **Telex Corp.**

In the three-year period, Sun Banks was followed by Bank of the West, San Jose, Calif., with a compound annualized 25.7%, and First of America Bank, Kalamazoo, Mich., with 25%.

For the five years, the runners-up were First Union Bank of North Carolina, Charlotte, with an annualized 25.3%, and Manufacturers Life Insurance Co., Toronto, 25.1%.

Other high rankers in the five-year period were First Interstate Bank of Denver's modern value portfolio, which placed fifth with an annualized 24.8%, and First Interstate Bank of Oregon, which rated sixth with 24.2%.

First Interstate of Denver's modern value portfolio placed in the top 25% for the year and for the three years with 20.3%.

For 10 years, its growth-stock fund ranked 11th, with a compound annual return of 17.1%. The First Interstate of Denver equity portfolios are handled by Denver Investment Advisors.

While the modern value portfolio attempts to hold the 25 most undervalued stocks from among the stocks of the 300 largest U.S. corporations, including **Great Western Financial Corp.**, **Lockheed** and **RJR Nabisco Inc.**, the growth portfolio holds medium to small-cap stocks, including **Myers Parking Systems Inc.**, **Great Northern Nekoosa Corp.** and **CPC International Inc.**

Manufacturers Life also was a leader in the 10-year period, placing first with an annualized 23.2%. It was followed by Guardian Insurance Co., New York, with 19.9% and First Wisconsin National Bank, Madison, with 19.5%.

In the fourth quarter, First Interstate Bank of Oklahoma, Oklahoma City, led the PIPER universe with a return of 9.1%. It was followed by Boatmen's First National Bank of Kansas City, Mo., with 8.3%, and American National Bank & Trust Co. of Chattanooga, Tenn., with 7.9%.

First Interstate Bank of Oklahoma's return was a turnaround from the third quarter, said Lee Liscom, vice president and chief investment officer.

The $25 million equity fund "got hit in the consumer services area during the third quarter with a fairly large weighting. Those stocks seemed to be the ones that came back in the fourth quarter. What happened for us was a snap-back from the third quarter," Mr. Liscom said.

First Interstate applies a dividend discount model dividing the market into 11 sectors, each with specific buy and sell rules, said Mr. Liscom.

For instance, in the energy sector First Interstate buys on long-term value, earnings surprise, earnings acceleration and momentum, while in the technology sector only earnings acceleration and price momentum are considered.

First Interstate of Oklahoma narrowly missed the top quartile for the one-year period with a 19.5% return and was in the top 10% for the five- and 10-year periods with annualized returns of 22.5% and 17.1% respectively.

The $20 million equity portfolio at Boatmen's First National, ranked second for the quarter, had a definite high-quality bias, said Steven Pohle, vice president.

The portfolio was overweighted in the technology sector for the quarter, said Mr. Pohle. Major portfolio positions include **General Electric**, **Owens-Illinois Inc.** and **Digital Equipment**, the largest single holding.

"We consider ourselves sector rotators. We are certainly not market timers," he said. "During the fourth quarter we held a lot of large-capitalization, high-quality, blue-chip stocks," he said.

The $20 million corporate employee benefit equity fund at American National Bank & Trust of Chattanooga, finished the quarter third.

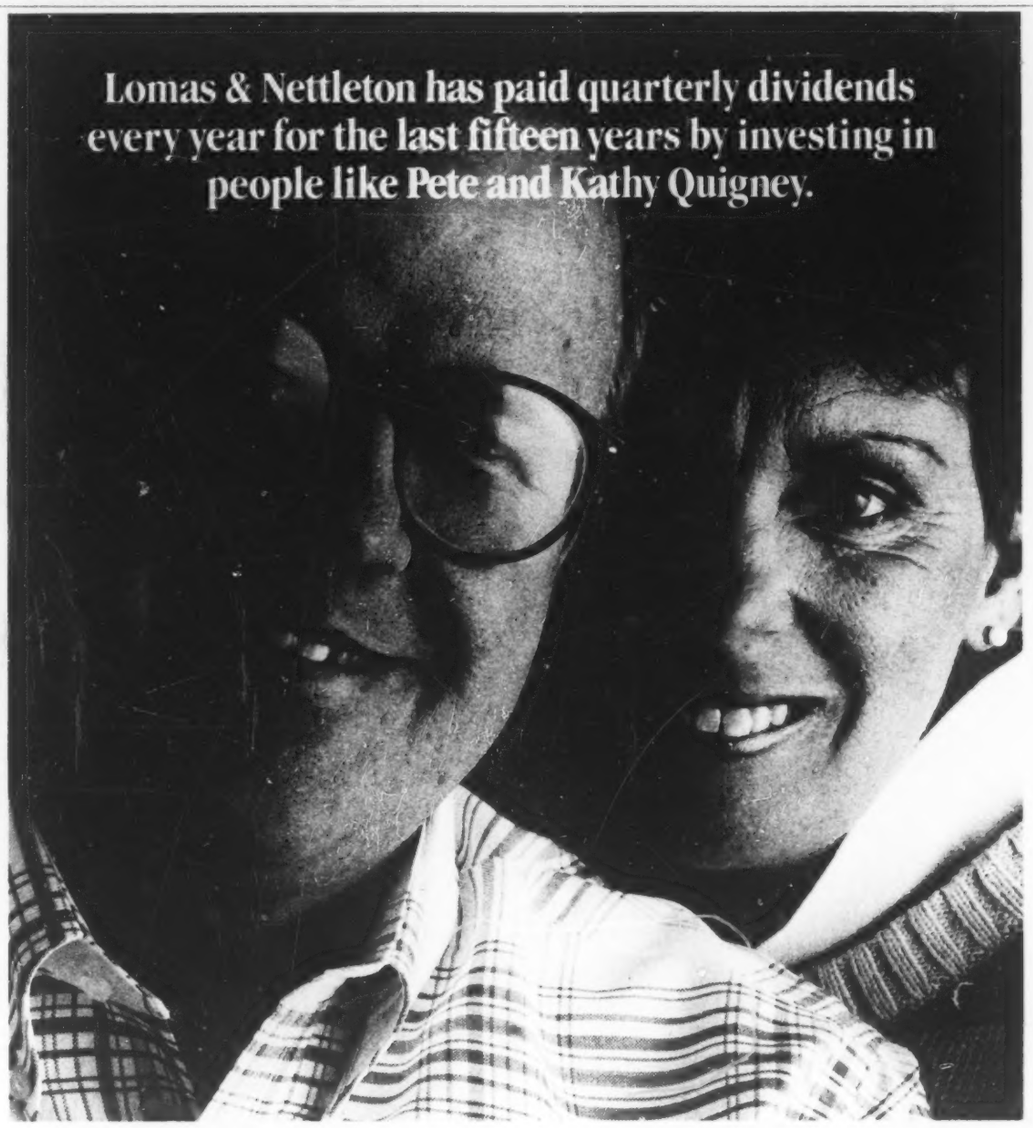
"It was a big-cap quarter," said Dale Holmes, portfolio manager and trust investment officer. "We are growth-stock investors with quality standards requiring us to focus on large-capitalization stocks.

We were fortunate in the fourth quarter in that there was a movement to quality after the Boesky affair."

Major holdings in the American National equity portfolio include **Merck**, **General Electric**, **Bristol-Myers Co.**, **Eastman Kodak Co.**, **Minnesota Mining & Manufacturing Co.** and **Wal-Mart Stores Inc.** ■

Continued from page 24

Bank of New England, Mass.	11.4
Merchants National, Pa.	11.4
First Interstate of Ariz.	11.4
Boatmen's National, Mo.	11.3
American National Bank, Tenn.	11.3
Mercantile Bank (Col.), Mo.	11.3
Connecticut National Bank (EB)	11.1
CIGNA (Pub. traded), Conn.	11.1
Lloyds Bank (C), Calif.	11.1
Cullen Bank (EB), Texas	11.0
AmeriTrust (Reserve), Ohio	11.0
Bankers Trust (B), N.Y.	11.0
First Bank Milwaukee, Wis.	11.0
IAA Trust Co. (B), Ill.	11.0
John Hancock, Mass.	10.9
Toledo Trust, Ohio	10.9
Oregon Bank	10.9
Key Trust Co., N.Y.	10.9
Bessemer Trust, N.Y.	10.9
Bankers Trust (A), N.Y.	10.8
Citicorp, N.Y.	10.8
American National (EB), Minn.	10.8
First of Neenah (Long-term), Wis.	10.8
First of Maryland	10.7
Assoc. Manitowoc (Hi. inc.), Wis.	10.7
C&S Trust Florida (EB)	10.7
Mellon Bank (EB), Pa.	10.7
Indiana National Bank	10.7
Shearson Lehman G/C Index	**10.4**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Delaware . . .

Continued from page 15

Kenneth Holmes, vice president in charge of investment marketing. The average maturity in the portfolio is 10.6 years, he said.

Being in the middle of the maturity range allows the fund to reap some of the benefit when long bonds are performing well and some when short ones are performing best, he said.

In mid-1986, the fund went largely into mortgage-related securities. It had been primarily in Treasuries, before yield spreads widened sufficiently to warrant a move, and also used a lot of regional bank bonds.

"Mortgages are the only place you get extremely high credit quality with high incremental yields," said David W. Baldt, senior vice president and director of fixed-income investments. "We're not promising we're going to stay there, but in the latter half of 1986 that was the place to be."

Mr. Baldt wouldn't say where the fund might move next, but said it avoids industrial bonds because of leveraged buy-out threats. "There's no telling what companies will fall next," he said.

The fund keeps to high-quality securities; at the end of 1986, 85% of the portfolio was rated AAA, Mr. Holmes said.

Delaware Trust avoids interest rate forecasting. "We monitor the major interest rate forecast people and find that they're less than 50% accurate," Mr. Baldt said.

"We do not believe that anyone can forecast interest rates accurately and consistently," Mr. Holmes added.

In contrast to this philosophy is that of United Capital Management, the investment subsidiary of United Bank of Denver. Its fixed-income strategy relies primarily on interest rate forecasting, which then is supplemented by decisions based on sector spreads, said W. Lon Schreur, president of United Capital.

The commingled fund it manages for United Bank topped PIPER performers for the three-, five- and 10-year periods of the survey. Its compound annual return was 23.7% for the three years, 23% for five and 12.8% for 10. It placed fifth for calendar 1986, with 21.2%.

The fund, now at $31 million, went into long bonds — to a 22-year average maturity from a six-year average maturity — in 1980 and 1981 and stayed long until January 1986, Mr. Schreur said. Management brought the average maturity down throughout 1986, to seven years at year end, he said.

The fund went long when management believed inflation had peaked, Mr. Schreur said. But United Capital officials now believe inflation has hit its low for this cycle and will pick up, he said. Interest rates also will be higher the rest of the year, he predicted.

In keeping with that scenario, he said he would expect to bring the United Bank bond portfolio's average maturity to four or five years during 1987.

Along with changing maturities, the fund has changed the type of bonds it holds. In 1981 and 1982, when yield spreads were wide, it held many A and BAA rated corporate issues. In recent years, it upgraded its holdings and now is mainly in government securities, Mr. Schreur said.

The fund's performance fell off in the fourth quarter of 1986, when it was in the seventh decile with a 2.8% return. Mr. Schreur attributed this to the shortening of maturities in the portfolio.

"We're penalizing short-term performance to get ourselves positioned for the next major move," he said.

First Interstate Bank of Denver's bond fund benefited from good security selection to place it among the top three in all periods except 10 years, when it still ranked in the top 10%.

The fund returned 23.1% in 1986, placing it second, and 5.3% in the fourth quarter, making it third. It ranked second in both the three- and five-year periods, with compound annual returns of 22.7% and 22.1%, respectively. In the 10 years ended Dec. 31, its annualized return was 11.9%.

The fund, with assets of roughly $70 million, is about 60% in corporate bonds, 20% in Treasuries and 20% in government agency issues, said Jay Barr, vice president of Denver Investment Advisors Inc., the First Interstate spinoff that manages the bond fund.

It went to that allocation during October and November, after having been about 60% in governments and 40% in corporates since the end of 1985, Mr. Barr said. The fund typically has a high allocation to corporates because the fixed-income management group has been good at selecting them, he said.

However, the fund moved into governments at the right time, when they were outperforming corporates, then switched back to a higher allocation to corporates when yield spreads narrowed, Mr. Barr said.

The bonds now in the portfolio have an average quality rating of A+, he said. Average maturity at year end was 7.6 years. The corporate issues are divided about evenly among financial, industrial and utility bonds, he said.

Denver Investment Advisors eschews market timing and does minimal interest rate forecasting, relying instead on security selection, Mr. Barr said.

Life of Virginia's bond fund was among the top five performers for the three-, five- and 10-year periods of the survey. Its three-year compound annual return was 20.7%, tying it for fifth; its five-year number was 21.7%, putting it third; and its 10-year figure was 12.5%, tying it for fourth.

Its performance dropped off somewhat in 1986, when it finished the year with a return of 15.7%, just topping the index and placing in the third decile. In the fourth quarter, it returned 3.9% and placed in the second decile.

The 1986 performance slipped because long Treasuries outper-

Continued on page 27

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Public funds hike specialty allocations

GREENWICH, Conn. — Increased assets allowed public pension funds to throw more money into specialty management and passive investing in 1986, but active management still played a large role, according to a study by Greenwich Associates.

Although good performance boosted pension assets nearly 29% in 1986, increasing unfunded liabilities have fund officials scampering just to stay in place, according to the report.

The study, the fifth annual report to participants on the management of public pension funds, surveyed 270 funds whose assets total $540 billion.

In the past 12 months, 43% of the public funds surveyed hired new managers, while 24% terminated a manager.

The average public fund now uses more than six managers, double the number of five years ago.

This is a byproduct of the trend toward specialty management, according to the report.

A prominent example is the Teachers' Retirement System of Louisiana, Baton Rouge.

In a move toward specialty management effective this year, the system terminated one manager and hired five new ones (*Pensions & Investment Age*, Jan. 26).

According to the report, 43% of the public funds plan to hire new managers by the end of 1987. If these intentions are carried out, about 325 hirings will occur.

Within five years, public funds also expect to increase the average number of managers used to 7.8 from 6.1 in 1986.

Public funds invest almost $95 billion in stock and bond index funds and by 1989 the number should exceed $170 billion, the report said. Indexing's low costs and guaranteed market returns make it an attractive investment vehicle for public funds.

Last year, the Public Employees' Retirement System of Mississippi, Jackson, began the process of indexing 50% of its equity and fixed-income assets (*P&I Age*, Jan. 26).

Common stock index funds are now used by 22% of all public funds, the report said. By the end of 1987, 29% of all public funds will be using them.

Bond index funds are just beginning to surge. Now used by 9% of all public funds, Greenwich Associates predicts 14% will be using indexed bonds by the end of this year.

Actively managed assets, however, also increased. Stock investments now make up 37.6% of assets, compared with the previous year's 33.1%. Actively managed bonds increased 14.6% to $181 billion from $158 billion.

Other growing investment areas are equity real estate, mortgages, venture capital and portfolio insurance.

According to the study, 40% of public funds use equity real estate, and Greenwich Associates predicts an additional 9% of all funds will launch such investments by the end of this year.

Mortgages are now used by 34% of the public funds, up from 26% in 1985, the study showed. And by year end, mortgages should be included in the portfolios of 41% of all public funds.

According to Greenwich, venture capital is used by 17% of the funds, and should jump to 22% by the end of 1987. In 1985, 12% of the funds used venture capital, and in 1984, only 9% used this vehicle.

Only 5% of funds use portfolio insurance, but this percentage should double by the end of 1987, the study said. ■

Delaware . . .

Continued from page 26

formed corporate issues so significantly in the early part of the year, and the fund was concentrated in corporates, said L. David Hale, senior vice president of Continental Investment Advisors Ltd., Richmond, which ran the fund through Dec. 31.

(Continental Investment had been an affiliate of Life of Virginia, which was purchased by Combined International Corp., last year. Continental Investment's management is buying the money management firm's stock from Combined, with the transfer to be completed April 1. Combined has assembled an in-house investment staff for the Life of Virginia fund, while Continental Investment, as an independent firm, will continue to serve outside clients.)

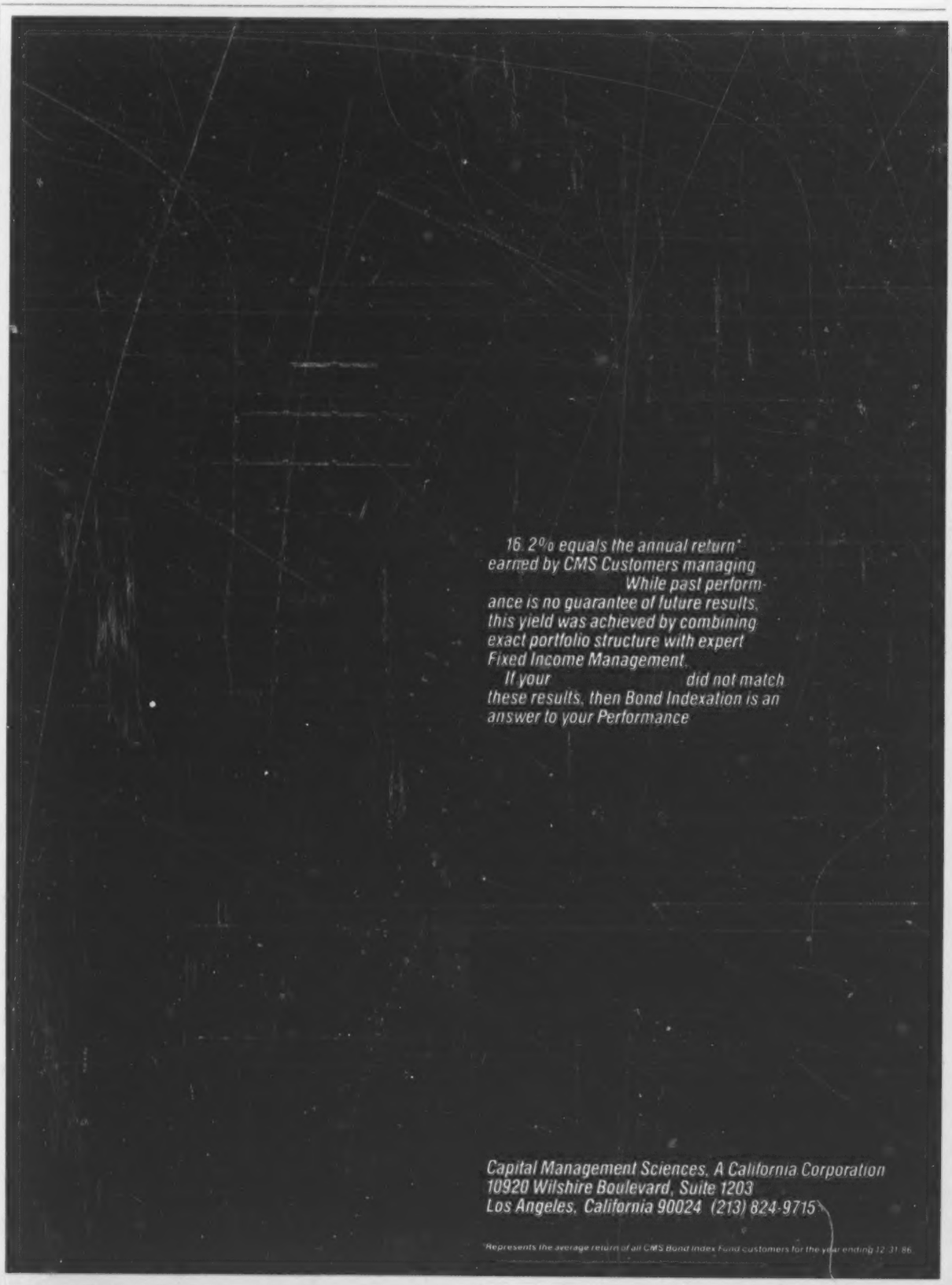
Continental Investment's strategy concentrates on corporate bonds with sinking fund provisions, meaning a portion of the principal must be retired each year. As of Dec. 31, the $400 million Life of Virginia portfolio was 80% in corporates and 20% in mortgage-backed securities, Mr. Hale said. The average maturity was 11 years and the average quality was A+, he said.

Other funds in the top five for the quarter were Connecticut National Bank, Hartford, second with 5.7%, and RepublicBank Dallas and Chase Manhattan Bank, New York, tied for fourth with 5%.

Other top performers for the year were Equitable Life Assurance Society of the United States, New York, third with 22.2%, and Chase Manhattan, fifth with 21.3%.

Equitable Life was fourth for the three-year period with 20.9% and Connecticut National tied with Life of Virginia for fifth with 20.7%. Connecticut National was fourth for the five-year period with 20.4%.

For the 10-year period, Sovran Bank, Richmond, was second with 12.7%; Bank IV Wichita, Kan., was third with 12.6%; and Fidelity Bank, Philadelphia, tied with Life of Virginia for fourth with 12.5%. ■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Cash Management

CIGNA taps controlled disbursement

By Barry B. Burr

HARTFORD, Conn. — CIGNA Corp. executives now use controlled disbursement for the bulk of CIGNA's payments, a practice other insurance company officials are divided over adopting.

CIGNA, of Hartford, Conn., opened controlled disbursement for three of its four divisions with Bankers Trust (Delaware) Co., Wilmington, Del.

Aetna Life & Casualty Co., while it had been using controlled disbursement for a couple of years at banks in its Hartford base, recently established additional accounts in Delaware with the Wilmington offices of Citibank and Morgan Guaranty Trust Co.

But The Travelers Cos., also of Hartford, still uses ordinary disbursement accounts at two local banks, Connecticut National Bank and Connecticut Bank & Trust Co.

"It's not that we haven't considered it by any means," said Bruce H. Diesl, Travelers' director-corporate finance. He noted he has visited several banks offering the service, including New York banks' operations in Delaware.

Cash management executives gave different views on how widespread controlled disbursement is in the insurance industry, although they agreed the practice is routine among companies in other industries.

"I would consider that rather unusual" for a company not to have controlled disbursement, said Steven F. Maier, president of UAI Technology Inc., Research Triangle Park, N.C., a consulting company. "One expects to find controlled disbursement done rather universally today," he said.

But Travelers' Mr. Diesl contends that, among insurers, "more of them don't use that product than do," although no regulation precludes the use.

At Aetna, James L. McAuley, assistant vice president-banking services, said, "I don't think it's unusual for insurance companies" to use controlled disbursement.

With controlled disbursement, corporations get better control over the amount of checks that clear against their account each day. Controlled disbursement sites ideally are situated outside major cities, where presentments, or check deliveries, come only once or twice a day — early in the morning — and come from only one Federal Reserve Bank.

Thus, the controlled disbursement bank avoids presentments from other sources, such as other banks, which might come later in the day. Corporations, by knowing the exact amount needed to fund their controlled disbursement accounts to pay the checks, can take advantage of more attractive early morning money markets to invest idle cash or to borrow.

Stephen J. Myott, CIGNA's directory-treasury services, said the company has moved to controlled disbursements to better serve the business and its customers.

"I think today that the key reason for doing it is information," Mr. Maier said. "Float isn't important.

"There is nothing about controlled disbursement that extends float." Those interviewed were careful to distinguish between controlled disbursement and remote disbursement.

Stephen J. Myott, CIGNA's director-treasury services, said, "We feel from a business and customer standpoint we ought not to disburse remotely from where we do business."

"There is not a significant float advantage in Delaware," said Anne S. Bradley, vice president at Chemical Bank's controlled disbursement operation in Wilmington.

William N. Natsis, vice president, Bankers Trust (Delaware) added, "Delaware is probably the best controlled disbursement site without being remote."

Mr. Myott said the insurance company moved its principal accounts that were at Hartford banks to Delaware. He declined to identify the Delaware bank, but *Pensions & Investment Age* learned it is Bankers.

Mr. Myott said CIGNA clears some 9 million items, about $3 billion to $4 billion, annually in the account. He said the company wanted a better forecast of cash flow.

He said the bank reports its first presentment at 8 a.m. and the second, and last, by 10:15 a.m.

Before the move, he said, CIGNA would forecast its daily cash needs, revising them often as updated clearings were reported.

"On any given day we could miss our clearings by a wide margin," he said. "If overdrafts became systematic, we would be concerned. It was not in keeping

Continued on page 41

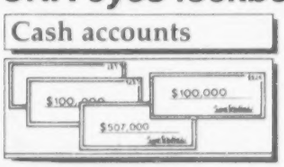
Payden & Rygel index of short maturity assets*

(for month ended Jan. 31)

	January 1987	Quarter ended 12/31/86	Year to date	12 months ended 1/31/87	Yield level monthly change**
	Unannualized total returns				
30-day					
U.S. Treasury bill	0.5139	1.2980	0.5139	6.5211	−7
Domestic CD	0.6022	1.4062	0.6022	7.0885	−37
Euro $ CD	0.5503	1.4733	0.5503	7.1887	−10
180-day					
U.S. Treasury bill	0.5274	1.3173	0.5274	7.0857	−5
Domestic CD	0.6001	1.3516	0.6001	7.4435	−20
Euro $ CD	0.5174	1.4227	0.5174	7.5534	0
1-year					
U.S. Treasury note	0.5229	1.3461	0.5229	8.0872	−2
2-year					
U.S. Treasury note	0.5749	1.6459	0.5749	10.1256	−2

*Figures are unannualized total returns. Year-to-date and 12-month figures linked monthly. 90- and 180-day Treasury bill yield level changes on discount basis.
**Basis points.
Source: Payden & Rygel, Los Angeles

CNA eyes lockbox consolidation



CHICAGO — CNA Insurance Cos. officials are reviewing CNA's seven wholesale lockbox banks in hopes of consolidating and reducing processing costs.

The Chicago company retained Harris Trust and Savings Bank, Chicago, for the study, said David Berkow, who has been cash manager for about seven months.

Harris is one of the seven lockbox banks. The others are: First Interstate Bank, Los Angeles; RepublicBank Dallas; First Wachovia Corp.'s First National Bank of Atlanta; National Bank of Detroit; First Pennsylvania Bank, Philadelphia; and Connecticut Bank and Trust Co., Hartford.

The lockboxes, which were selected about five years ago, handle property and casualty remittances sent by agents. As wholesale lockboxes, they handle large payments.

Brian Loebach, manager cash analysis and collateral, said the diminished value of float as inter-

Continued on page 40

Electronic statements gain

By Chuck Paustian

Electronic transmission of account analysis statements slowly is garnering support among corporate and bank cash management professionals.

Chevron Corp., San Francisco, and Westinghouse Electric Corp., Pittsburgh, are the latest companies setting up systems to receive account analysis data electronically from their banks.

The two corporate pioneers in electronic transmission of account analysis statements — Ford Motor Co., Dearborn, Mich., and Procter & Gamble Co., Cincinnati — already have started receiving test transmissions from four banks.

Ford has received monthly data from Sovran Bank, Richmond, Va., since November. Procter & Gamble has received transmissions from Citibank, New York, The Central Trust Co. and Fifth Third Bank, both in Cincinnati, since December.

Other banks that have agreed to work with Ford and Procter & Gamble on sending account analysis statements electronically are Continental Illinois National Bank and Trust Co., Chicago, and Manufacturers Hanover Trust Co. and Morgan Guaranty Trust Co., both in New York.

By receiving account analysis statements electronically, corporations can facilitate reviewing these statements and realize substantial savings of time, effort and expense.

"If we could get our top 15 banks (on the system), we could cut by 85% our data entry," said Patrick J. Finan, senior systems analyst at Procter & Gamble.

Those kind of results have caught the attention of cash managers at other corporations.

"We have looked at what Ford and P&G have done, as well as what the (National Corporate Cash Management Association) has done to standardize the account analysis form, and we believe at some point it would be smart to receive account analysis

Continued on page 40

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